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DIRECTORATE OF DISTANCE EDUCATION

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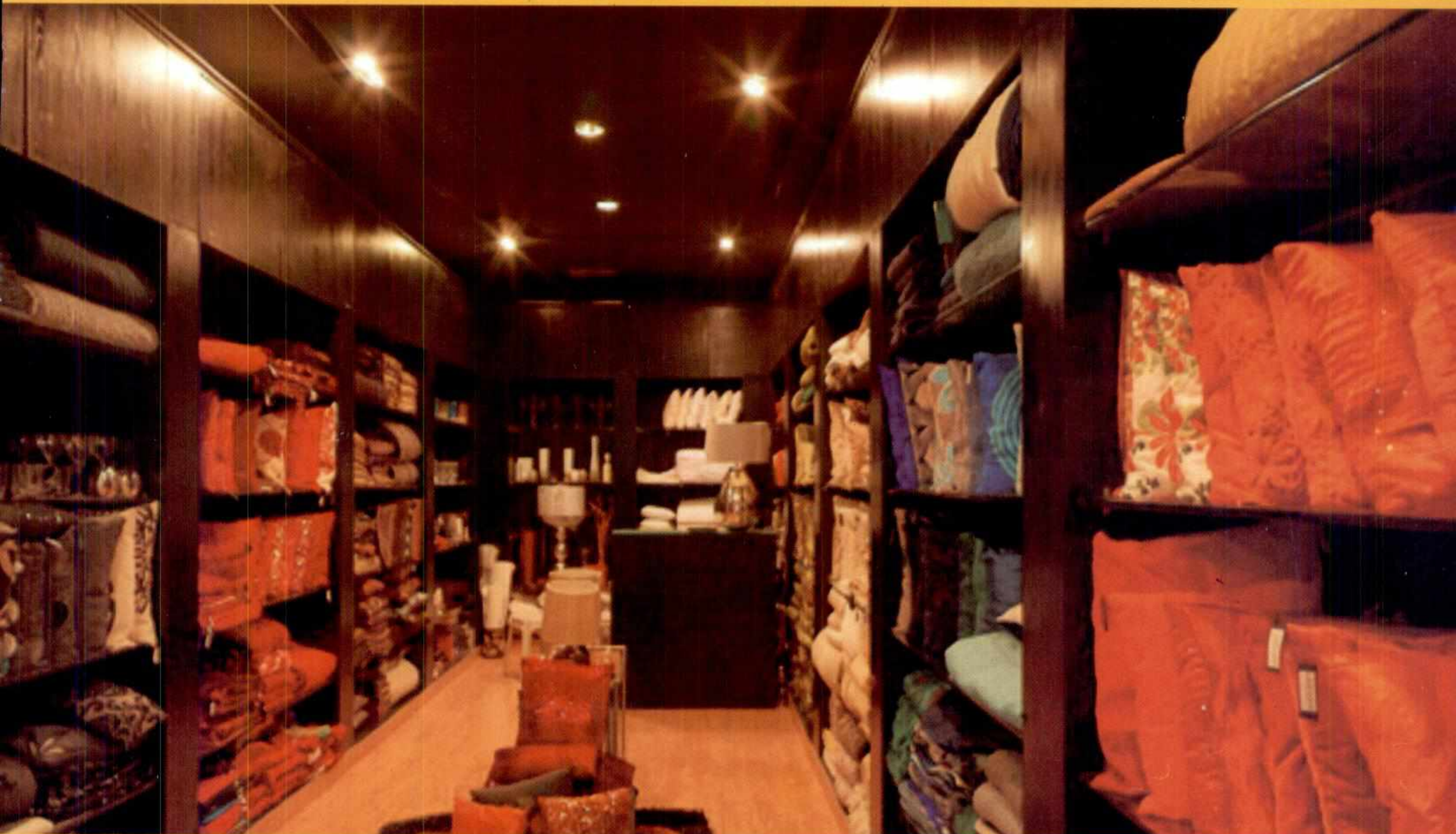

MBA (RETAIL MANAGEMENT)
PAPER - 4.2

STORE AND MALL MANAGEMENT

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Self Learning Material

DIRECTORATE OF DISTANCE EDUCATION
ALAGAPPA UNIVERSITY
KARAIKUDI - 630004
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SYLLABUS

MBA (Retail Management)

4.2: STORE AND MALL MANAGEMENT

Unit 1: Location, Layout and Ambience: Store/Mall Location Choices and considerations- Prime Vs Up-coming Vs Remote Locations - Internal Layout Designs: Straight floor plan- Diagonal floor plan, Angular floor plan, Geometric floor plan and Mixed floor plan- store fixtures: Types and suitability- Relevance of Managing Exterior and Interior Ambience- Visual Merchandising- Merchandise Display: Racks and Shelves: Importance- Types: Supermarket Racks - Fruit & Vegetable Racks- Electronic Racks- Showcase Racks-Pharmacy Racks- Book Racks- Textile Racks- Shoe Racks- Cantilever Racks- Mezzanine floor- Freshness and Exquisiteness.

Unit 2: Inventory Management: Wide Merchandise Assortment – Quality and Price Ranges- Procurement Efficiency- Techniques of Inventory management to ensure economy- Keeping track of 'Fast', 'Slow' and 'No' (FSN) Moving items- Novelty and First to Shelf principle.

Unit 3: Stores and Malls: Introduction to Stores and Malls- Development of Malls and Multiplexes- Store space Leasing in Malls- Tenant Mix- Branding of Stores and Malls- Mall Maintenance Management- Store/Mall Anchor- Food Court- Entertainment Multiplex- Round-the-clock operation- Stores Vs Malls.

Unit 4: Operational Efficiency: Business Plans: Mark-up and Mark-down- Gross Margin Return On Inventory Investment (GMROII) – Break-even level- Marketing Strategy- Promotional Calendars- Differentiation- Leadership- Competitive edge- Winning new and Retaining existing customer base- Retailing Research- Employee Training, Empowering, Scheduling, Motivation and Meetings.

Unit 5: Managing Customer Service and Satisfaction: Facilities for Parking, Multiple payment options, Kids-keeping, Quick counter service, etc - Customer satisfaction: Importance, Determinants and Level- Strategic Advantage through Customer Service and Customer Satisfaction (CS&CS): CS &CS strategies - Gap Model of Improving Customer Service and Customer Satisfaction- Expectation and fulfillment.

Unit 6: HR Management: Types of Job positions in Retails Stores/Malls: Retail Store Manager, Retail Sales Associate, Merchandiser, Cashier and Brand Manager - Job Description, Job Requirements, Duties and Responsibilities, Career Opportunities and Tips for success of Retail Store Manager, Retail Sales Associate, Merchandiser, Cashier and Brand Manager.

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CONTENTS

UNIT 1 LOCATION, LAYOUT AND AMBIENCE

Structure

1.0 INTRODUCTION

Location is the most important ingredient for any business that relies on customers. It is also one of the most difficult to plan for completely. Location decisions can be complex, costs can be quite high, there is often little flexibility once a location has been chosen and the attributes of location have a strong impact on a retailer's overall strategy. In India, most retailers prefer to own the property rather than avail of the desired property through lease or rental. This makes the location decision even more critical. Choosing the wrong site can lead to poor results and in some cases insolvency and closure.

Even though non-store retailing is growing, most of the retailers are still selling from retail store space. Some of these retailers are very small single-store operators, and some are huge superstore discounters. Each location selected resulted from an effort to satisfy the needs of the particular market each was designed to serve. Whether it was the customer's need for convenience, their desire to do comparison shopping, the extent of the purchasing power in a market area, of the transportation facilities available, many factors together led to the development of different kinds of retail locations. There is an old saying that the value of real estate is determined

by three things: location, location, and location. A wall street journal study looked at the largest store as measured by gross sales of the twenty largest brands. Not surprisingly, in nearly every case, a unique location was a major factor.

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Retail stores should be located where market opportunities are best. After a country, region city or trade area, and neighborhood have been identified as satisfactory; a specific site must be chosen that will best serve the desired target market. Site selection can be the difference between success and failure. A thorough study of customers and their shopping behavior should be made before a location is chosen. The finest store in the world will not live up to it potential if it is located where customers cannot or will not travel to shop. The primary role of the retail store or center is to attract the shopper to the location. Alternatively, retailers must take the store to where the people are, either at home or in crowds. Examples of taking the store to where the crowds are include airport location, theme parks and vending machines.

Every retail store strives for its competitive advantage. For some stores, it is price. For others, it is promotional expertise of the special services that are offered. Despite any differences among the various stores that may competing for the shopper's penny location offers a unique asset for all stores because once a site is selected, it cannot be occupied by another store. This advantage, however, points to the importance of location analysis and site selection. Once a facility is built, purchased, or leased, the ability to relocate may be restricted for a number of years. In short, location and site selection is one of the most important decisions made by a retail owner.

1.1 UNIT OBJECTIVES

After going through this unit, you will be able to:

- Describe the store location choices and considerations
- Know the different types of internal layout design
- Explain the different types of store fixtures
- Describe the concept of visual merchandising
- Identify the different types of racks and shelves.

1.2 STORE/MALL LOCATION CHOICES AND CONSIDERATIONS

Retailers have many store location factors to consider when choosing a place for their business. Here are a few of the more common types of retail locations.

Consideration in Making the Retail Location Choices

The following are the key factors that should be considered in making the retail choices:

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- **Population economic status:** If you are fortunate enough to have a choice, locate your new store in the midst of or as close as possible to, the people most likely to buy your wares. If this statement seems obvious to you, it apparently isn't to everyone. We have all seen too many small, struggling retail nurseries trying to make a go off in the neighbourhoods, where few potential buyers live. Homeowners with yards and gardens are, of course, the primary buyers of landscape materials at retail.
- **Population density:** Whether your store is being planned for a big or small neighbourhood or area, choose a site with the highest residential landowner density that your circumstances will permit. Apartment buildings, condominiums and row houses usually have higher population densities, but, without gardens, their residents may buy little more from you than a seasonal flower or plant in an entire year.
- **Traffic:** If you can afford to, try to locate on an artery with a consistently high traffic count—on Main Street in a small town, on a major thoroughfare or freeway feeder in a larger urban area. Commercial property is usually much cheaper just a block away from major traffic arteries. Therefore, some garden centres, requiring more display space than most other centres, are sometimes tempted to build in the "backwater." All too often, capital runs out before the new store is discovered and he sinks slowly into bankruptcy.
- **Competition:** Wherever retailers get together, the argument is likely to come up whether it is better to locate at a distance from your chief competitor, or stake out a claim right to the next door. There is a good deal of evidence that two or three stores of the same kind in the same shopping centre will sometimes attract up to five times the traffic count. Whatever the best answer to that conundrum is, make an effort to know your competitors thoroughly before you locate your new garden center. Try to analyse why some appear successful, while others are not. You may decide after careful detective work that your first choice of location wasn't wise after all.
- **Parking:** Keeping in mind that the number of cars you can accommodate in an hour puts an absolute limit on the number of customers who will cross your threshold in the same hour. Accordingly, never locate your new garden center on a site that has insufficient parking area.
- **Visibility:** In locating your new store, try to ascertain whether the chosen site is within the regular shopping pattern of your targeted market. If it is, potential buyers will see it and be attracted to it. If it's outside that pattern, they may drive by for years without observing your presence.

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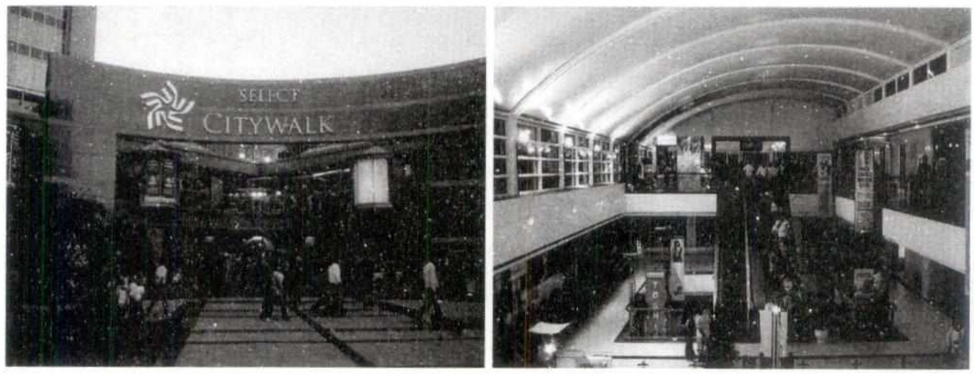
Mall Space

From kiosks to large anchor stores, a mall has many retailers competing with each other under one roof. There are generally 3 to 5 anchor stores, or large chain stores, and then dozens of smaller retail shops. Typically the rent in a mall location is much higher than other retail locations. This is due to the high amount of customer traffic a mall generates. Figure 1.1 gives you the outside and inside view of Select City Walk mall in Saket, Delhi.



(a) Outside View (b) Inside View

Fig. 1.1: Mall: Select City Walk, Saket, Delhi

Source: *http://farm4.static.flickr.com/3146/2584747296_260f3c7446.jpg,www.panoramio.com/photo/20673345*

Shopping center

Strip malls and other attached, adjoining retail locations will also have guidelines or rules for how they prefer their tenants to do business. These rules are probably more lenient than a mall, but make sure you can live with them before signing a lease. Your community probably has many shopping centers in various sizes. Some shopping centers may have as few as 3 units or as many as 20 stores. The types of retailers, and the goods or services they offer, in the strip mall will also vary. One area to investigate before choosing this type of store location is parking. Smaller shopping centers and strip malls may have a limited parking area for your customers.

Downtown area

Like the mall, this type of store location may be another premium choice. However, there may be more freedom and fewer rules for the business owner. Many communities are hard at work to revitalize their downtown areas and retailers can greatly benefit from this effort. However, the lack of parking is generally a big issue for downtown retailers. You'll find many older, well-established specialty stores in a downtown area. This type of store seems to thrive in the downtown setting.

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Free Standing Locations

This type of retail location is basically any stand-alone building. It can be tucked away in a neighborhood location or right off a busy highway. Depending on the landlord, there are generally no restrictions on how a retailer should operate his business. It will probably have ample parking and the cost per square foot will be reasonable. The price for all that freedom may be traffic. Unlike the attached retail locations where customers may wander in because they were shopping nearby, the retailer of a free standing location has to work at marketing to get the customer inside.

Office Building

The business park or office building may be another option for a retailer, especially when they cater to other businesses. Tenants share maintenance costs and the image of the building is usually upscale and professional.

Home-Based

This type of location is an inexpensive option, but growth may be limited. It is harder to separate business and personal life in this setup and the retailer may run into problems if there isn't a different address and/or phone number for the business.

1.3 PRIME V. UP-COMING V. REMOTE LOCATIONS

Commercial retail locations are available in many different forms. Stop and think about the businesses in your town. Like most communities, there are probably older shopping areas, new bustling retail locations and some tucked away shops.

Retailers have many store location factors to consider when choosing a place for their business. Here are a few of the more common types of retail locations.

Prime Location

Prime locations are finding it easier to attract new tenants where vacancies do occur, and rents are holding up better then in secondary areas where vacancies are higher and retailers are able to negotiate lower rents and larger incentive packages. Majority of stores in central business area, and regional shopping centre are leased due to high investment for ownership. It is observed that leasing minimizes the initial investment, reduces the risk in case the retailer wants to change business or withdraw from retail business, and allows access to prime locations, helps in building immediate traffic to the store, no long term commitment. Retailer is able to invest the money in other aspect of retail business or opening of more stores by entering into lease arrangement. The retailer who accepts lease terms also have to agree on limitations on operating flexibility, restriction on subletting and selling the business, possible nonrenewal problems, rent increases, and not gaining any advantage from rising real estate values.

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While selecting a prime location the following questions should be addressed:

1. Are its shoppers your prospective customers?
2. Would the center offer the best sales volume potential for your kind of merchandise or service?
3. Can you benefit enough from the center's access to a market?
4. If yes, can you produce the appeal that will make the center's customers come to your store?
5. Can you deal with the competition of other stores?

How much space do you need and where do you want it? Naturally, the amount of space you want will determine your rent. Many merchants need to rethink their space requirements when locating in a shopping center. Rents are typically high, so space must be used efficiently. What amount of space will you need to handle the sales volume you expect to have? Be sure that it has adequate interior space for sufficient inventory, an area for an office, and possibly a receiving and shipping area. You should also consider the necessity for adequate space for expansion when business picks up.

Up-coming Location

These are the locations which are going to be developed in near future. Nowadays the shopping malls are targeting the nearby location of metro cities and developing a number of big retail stores over there.

Retail site selection is a very important decision. First, a location is usually one of the most important elements customers use in choosing a store. Second, when chosen, a retailer must live with the site for many years because it is expensive. Lastly, because great sites are acquired by other retailers, it is mostly hard to find them.

Tips for Choosing Your Business Location

Choosing a business location is perhaps the most important decision a small business owner or startup will make, so it requires precise planning and research such as looking at demographics, assessing your supply chain, scoping the competition, staying on budget, understanding state laws and taxes, and much more.

Here are some tips to help you choose the right business location.

Determine Your Needs

Most businesses choose a location that provides exposure to customers. Additionally, there are less obvious factors and needs to consider, for example:

- **Brand Image:** Is the location consistent with the image you want to maintain?
- **Competition:** Are the businesses around you complementary or competing?

- **Local Labour Market:** Does the area have potential employees? What will their commute be like?
- **Plan for Future Growth:** If you anticipate further growth, look for a building that has extra space.
- **Proximity to Suppliers:** They need to be able to find you easily as well.
- **Safety:** Consider the crime rate. Will the employees feel safe alone in the building or walking to their vehicles?
- **Zoning Regulations:** These determine whether you can conduct your type of business in certain properties or locations. You can find out how property is zoned by contacting your local planning agency.

Evaluate Your Finances

Besides determining what you can afford, you will need to be aware of other financial considerations:

- **Hidden Costs:** Very few spaces are business ready. Include costs like renovation, decorating, IT system upgrades, and so on.
- **Taxes:** What are the income and sales tax rates for your state? What about property taxes? Could you pay less in taxes by locating your business across a nearby state line?
- **Government Economic Incentives:** Your business location can determine whether you qualify for government economic business programs, such as state-specific small business loans and other financial incentives.

Is the Area Business Friendly?

Understanding laws and regulations imposed on businesses in a particular location is essential. As you look to grow your business, it can be advantageous to work with a small business specialist or counselor. Check what programs and support your state government and local community offer to small businesses. Many states offer online tools to help small business owners start up and succeed.

Remote Location

Remote location means a freestanding retail outlet located on either a highway or a street. There are no adjacent retailers with which this type of store shares traffic.

Advantages

- There is no competition
- Rental costs are relatively low.
- There is flexibility; no group rules must be followed in operations and larger space may be obtained.
- Isolation is good for store involved in one-stop or convenience shopping.

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- Better road and traffic visibility is possible.
- Facilities can be adapted to individual specifications.
- Easy parking can be arranged.
- Cost reductions are possible, leading to lower prices.

Disadvantages

- Initial customers may be difficult to attract.
- Many people will not travel very far to get to one store on a continuous basis.
- Most people like variety in shopping.
- Advertising expenses may be high.
- Costs such as outside lighting, security, grounds maintenance, and trash collection are not shared.
- Other retailers and community zoning laws may restrict access to desirable locations.
- A store must often be built rather than rented.
- As a rule unplanned business districts and planned shopping centers are much more popular among consumers; they generate the bulk of retail sales.

Large-store formats such as Walmart supercenters and Costco membership clubs and convenience-oriented retailers such as 7-Eleven are usually best suited to isolated locations because of the challenge of attracting a target market. A small specialty store would probably be unable to develop a customer following; people would be unwilling to travel to a store that does not have a large assortment of products or a strong image for merchandise and price.

1.4 INTERNAL LAYOUT DESIGN

Store design is the architectural character or decorative style of a retail store that conveys to the customer "what the store is all about." Retail stores vary so much in kind, size, and geographical location that it is difficult to generalize about design. The architecture of the store's exterior creates an initial impression. For example, if a retailer chooses to remodel an older Victorian home, the customer will get a different impression from that of a store in the mall.

Because of continued pressure on costs, newer designs reflect a closer attention to all details including store size. The drive to reduce inventory levels has forced a move to smaller stores, because a large store with less merchandise looks as though it is going out of business. The stores showing an increase in store size are those attempting to diversify and broaden merchandise lines. Higher rents, higher building costs, and the more localized stores because of the customer's desire for convenience hurt larger, stand alone and regional mall stores.

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General Requirements in Retail Store Design

The first step of retail store design is the development of a comprehensive plan for the overall requirements of the store. On the basis of market potential (the sales estimate and dollars received per square foot of selling area), plans can be made to meet the need for storage and selling space. The plan must specify the ways to achieve the best traffic circulation possible throughout the store and the types and sizes of fixtures necessary to display the merchandise in an appealing manner. A careful study of these factors helps make stores attractive, conducive to shopping, and as operationally efficient as possible. Comprehensive planning requires developing a customer-bases holistic focus for the design and layout of the store and for the desired store image. Only after this customer focus is defined should a comprehensive plan be developed for both the exterior and interior of the store that matches the desired store image.

1. **Customer Focus:** The focus of a retail store design should always be the customer. If the store design and layout are appealing the customer will form an image that is also appealing. It is easy to get into the technical aspects of store design and forget that the retailer's reason for existence is the customer. The design should be focused on forming and maintaining an image, while at the same time making the layout as accessible as possible for shoppers. Research should determine the needs, habits, and buying potential of the shoppers in the area and the need for store service and overall general customer comfort. Management must then determine the overall image that would best differentiate the store and attract the target market.
2. **Store Image:** A comprehensive plan would include a process for community obtaining customer feedback regarding improvements and for continuously updating the design to reflect changing customer needs wants. A store design serves two, often opposing, functions. First, and foremost, the design serves the functional purposes of protecting, enclosing, and displaying merchandise, while at the same time serving as a central location where customers can find the merchandise that they seek during convenient times. The second purpose relates to the symbolic needs of the customer. This includes the social aspects of shopping or owning a particular good from a particular store. The symbolic aspects of the store are anything that contributes to the overall store image. This may include environmental aspects, such as store atmosphere, or physical aspects, such as brand name products. When customers enter a store, they want the displays and departments to tell them what the store is all about. The image the store is attempting to project should be immediately obvious to potential customers. If the store wants price as the predominant image, departments emphasizing this aspect should be placed near the entrance. Managers should give the best space to the departments that say to the customer, "This is what I am".

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3. **Holistic Approach:** A retail store's design should match the store's character. This means that consideration should be given to the type of store image the merchant hopes to project. It includes exterior design and interior arrangements for selling and non-selling activities. In addition, the design should match with that of other stores around it; it should also enhance the saleability of the merchandise within the store and be in good taste. The store design should have a single theme or image throughout. Attempts to create several images often mean greater competition. This is because the retailer is no longer competing against stores within a single image category, but instead with stores in several categories.
4. **Technology and Planning:** Store designs are becoming more complex as new formats evolve. For this and efficiency reasons, it is becoming more common to rely on technology to assist in developing a store layout design. Computer Aided Design (CAD) helps to plan stores that more space-efficient. Planning can be done quickly and changes are easy to make. In the store itself, new combinations of interactive and multimedia technologies will change the way retailers design for direct customer contact and information assistance. For example, a self-service concept store may be developed where kiosks replace sales associates, providing product information and updates on availability of merchandise. Retailers will likewise be exploring creative linkages between participation in electronic home shopping channels and in-store selling. Through the use of interactive technologies, consumers will be able to view merchandise choices at home, make product selections, and conclude the purchase transaction. They will be able to choose whether to wait and receive their purchases through transportation carriers or to proceed directly to the retailer's store or depot where the merchandise will be ready for pickup.

1.4.1 Straight Floor Plan

The straight floor plan is an excellent store layout for most any type of retail store. It makes use of the walls and fixtures to create small spaces within the retail store. The straight floor plan is one of the most economical store designs. Figure 1.2 depicts a simple straight floor layout.

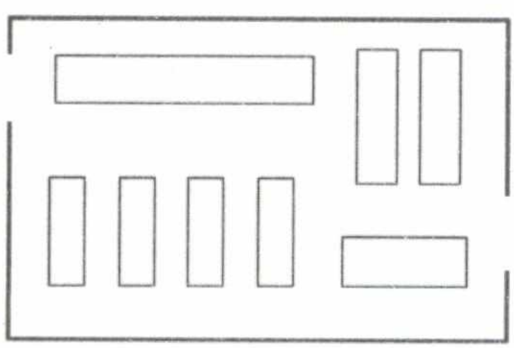

Fig. 1.2: A Sample Straight Floor Plan

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1.4.2 Diagonal Floor Plan

The diagonal floor plan is a good store layout for self-service types of retail stores. It offers excellent visibility for cashiers and customers. The diagonal floor plan invites movement and traffic flow to the retail store. Figure 1.3 depicts a diagonal floor plan.

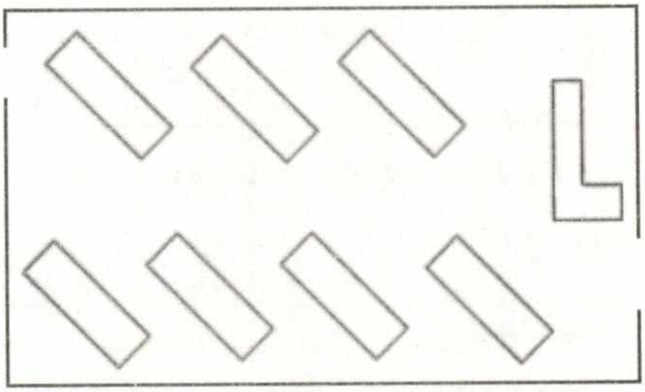

Fig. 1.3: A Sample Diagonal Floor Plan

1.4.3 Angular Floor Plan

The angular floor plan is best used for high-end specialty stores. The curves and angles of fixtures and walls, makes for a more expensive store design. However, the soft angles create better traffic flow throughout the retail store. Figure 1.4 shows how an angular floor layout looks like.

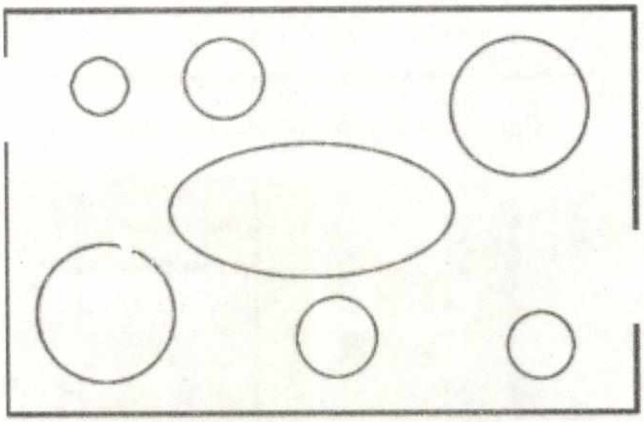

Fig. 1.4: A Sample Angular Floor Plan

1.4.4 Geometric Floor Plan

The geometric floor plan is a suitable store design for clothing and apparel shops. It uses racks and fixtures to create an interesting and out-of-the-ordinary type of store design without a high cost. Figure 1.5 shows a geometric floor layout.

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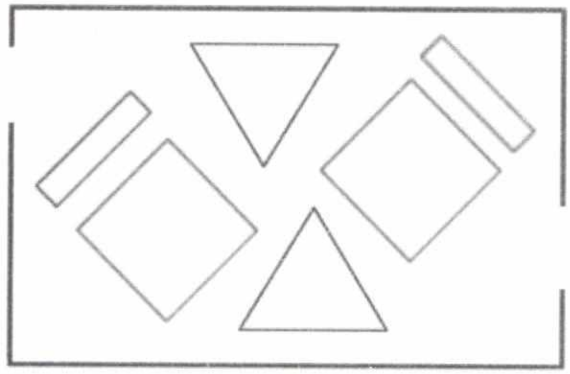


Fig. 1.5: A Sample Geometric Floor Plan

1.4.5 Mixed layout

The mixed floor plan incorporates the straight, diagonal and angular floor plans to create the most functional store design. The layout moves traffic towards the walls and back of the store. Figure 1.6 is a representation of a sample mixed layout plan.

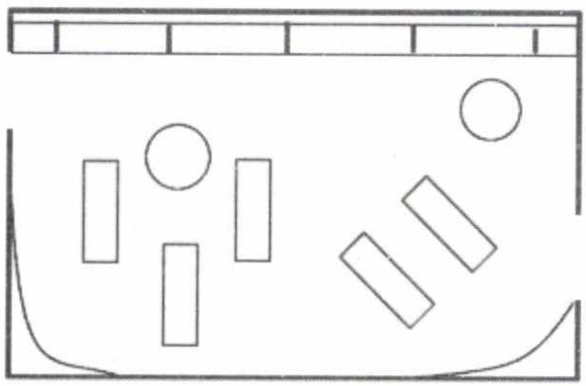
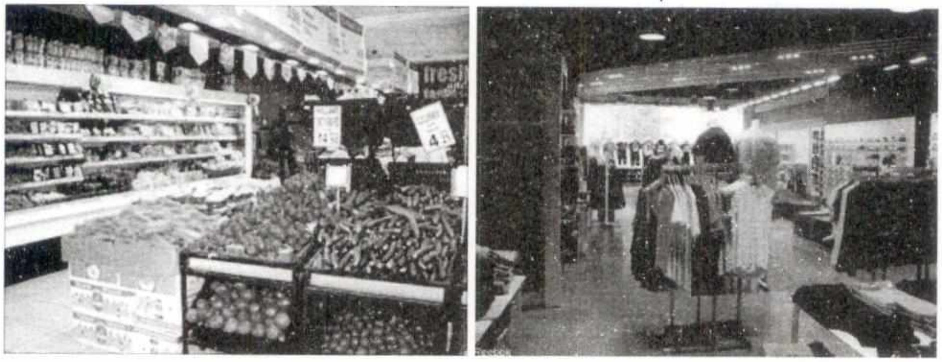


Fig. 1.6: A Sample Mixed Layout Plan



(a) Straight Layout at Subhiksha (b) Mixed layout at a Reebok Store

Fig. 1.7: Examples of Layouts

Figure 1.7 gives you an inside view of two retail outlets – (a) Subhiksha – that follows a straight floor plan and (b) Reebok Store – that has a mixed layout.

1.5 STORE FIXTURES: TYPES AND SUITABILITY

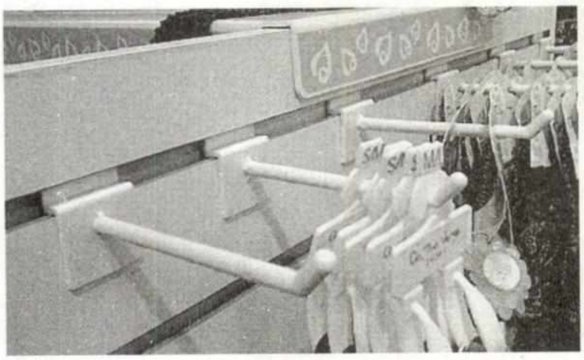
Store fixtures are used for visual merchandising and display. Different types of store fixtures are:

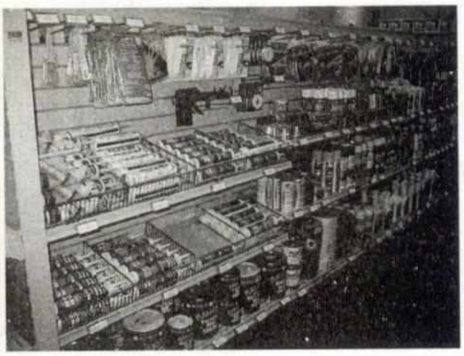
- Slatwall fixtures
- Gridwall fixtures
- Clothing store fixtures
- Hangers
- Display cases
- Shopping bags
- Jewellery displays
- Gondola shelves
- Mannequins

Store fixtures offer maximum exposure to products.

1. Slatwall Fixtures

There are different sizes and colours of slatwall store fixtures. Slatwall is also referred to as slatboard, slotwall or grooved board. Slatwall can be used to display clothes, accessories, equipments and jewellery. The different types of slatwall store fixtures are panels, hooks, faceouts, floor fixtures, wire displays, wire baskets, wire shelves, corner forms, brochure holders, and acrylic displays.





2. Gridwall Fixtures

Other types of store fixtures are gridwall panel and gridwall hooks. They can be used on the wall or floor in any store. Grid wall panels can be customized. Gridwall store fixtures include wire shelves, shelf brackets, grid exhibit, mini grid, sign holders, connectors and floor fixtures.

Check Your Progress

1. What do you mean by store design?
2. What is a remote store location?
3. Which types of retail stores are suitable for diagonal floor plan?

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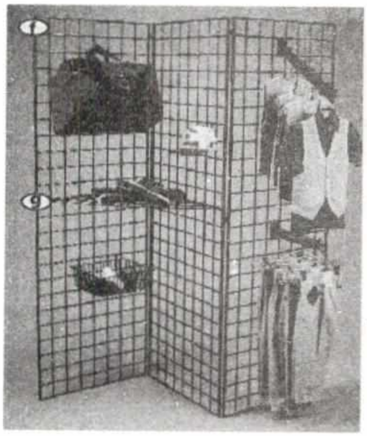
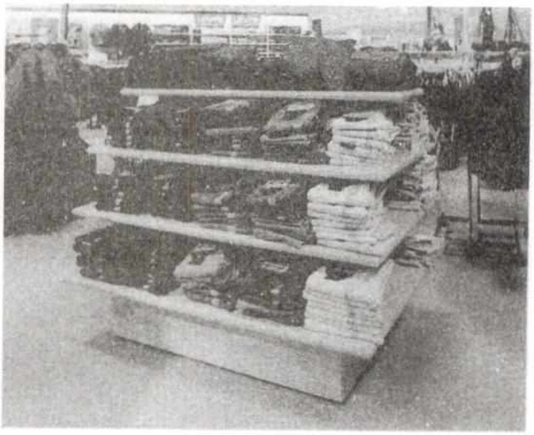


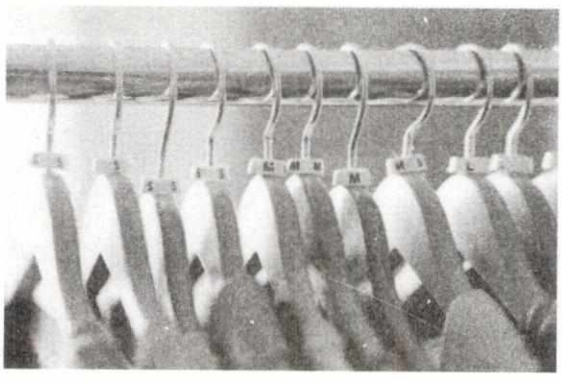


3. Clothing Store Fixtures

Store fixture collections are used to display collection of products. This includes designer collection, metal store fixtures, ladder system, chain link and golf display.

4. Hangers

Hangers are another type of store fixture used to display clothing. Different types of hangers are wooden hangers, metal hangers and plastic hangers.



5. Display Cases

Display case provides security to the retailer. There are economy style and aluminum frame style display cases. This includes full vision, half vision, open cases, jewellery and register stands. Other type of display cases are special tower, countertop, oak cases, pedestal cases, portable and custom fixtures.

6. Shopping Bags

Shopping bags are another type of store fixtures. Different types of shopping bags are white craft bags, tinted bags, natural craft, shopping baskets and Christmas bags.

7. Jewellery Displays

Different types of store fixtures are used for jewellery displays. This include store fixtures for necklace, bracelet, ring display, chain and jewellery watch. Different materials used in jewellery store fixtures are acrylic, metal and wood and velvet.

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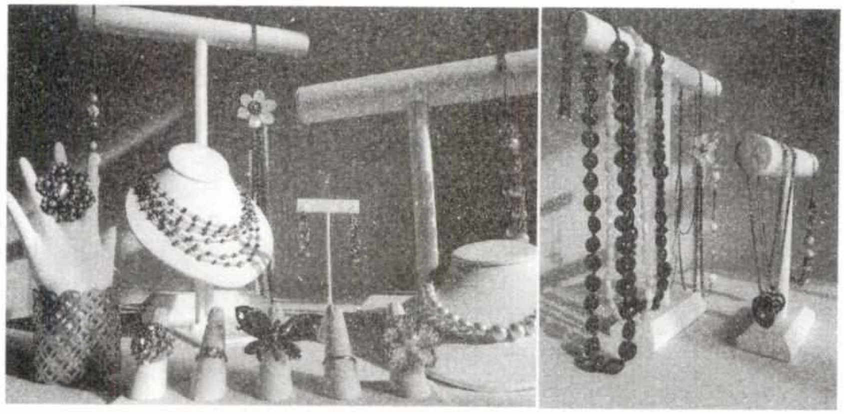

8. Gondola Shelves

Gondola shelves are used for heavy duty products. These are made of steel and can support heavy products. Different sizes of gondola shelves are available.

9. Mannequins

Mannequins are dummies usually used to display clothes. Mannequins store fixtures include adult mannequins, children, flexible, sports and system mannequins.

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helps to increase consumer footfalls and provokes them for repeated purchases. It is possible to attract the customers using the right now of elements of store ambience. It is very simple—a poor ambience negatively affects the representation of the product. A good ambience is also required to facilitate the browsing process for products, which need to be touched and felt before being chosen like clothes. Store ambience acts as a promotion tool used to communicate the store's image. An attractive store ambience is just like 'an icing with cherries on the cake'. A striking store ambience draws the attention of the customer and enables him to take purchase decision within shortest possible time, and thus enhancing the selling process. The shoppers which comprise mostly the youth desire a comfortable store, so that they can stay for longer on each visit. Shoppers would tend to buy at a leisurely pace in such stores. In many cases, these stores are also utilized for spending waiting, or spare time or meeting up with friends. The store ambience is responsible to create a difference between a forgetful transaction and a memorable retail experience.

Relevance of Exterior Design

The exterior of most stores include the fascia, mentioned above, the store entrance, the architectural features of the building and windows. The contribution of these parts of a store's exterior to an overall design can vary in importance according to the type of store format and the products on offer. For example, superstores, hypermarkets and category killers rarely use window displays, but have bold fascias and easy to access entrances. Standalone stores may have to conform to strict architectural guidelines imposed by government planning authorities, whilst the centre management team may control the exterior of stores in a planned regional shopping centre. Entrances can be designed to be opened and welcoming, or closed and exclusive. A key consideration for retailers is the need to be accessible for all members of society.

Store design involves formulating and structuring all elements of the physical environment. The storefront includes all aspects of the front/exterior of the store. Elements include the marquee (or exterior sign), entrances, windows, banners, planters, awnings and lighting. As major vehicles for communicating image, storefronts create differentiation among retail stores. This is especially true in shopping centers and malls in which a store struggles for visual identity among all the others that surround it.

The architectural style of a retail business suggests the nature, quality, and price of the merchandise as well as the company's status in the marketplace. Exterior visibility for customers traveling by foot or by automobile is essential. A unique building design and distinctive landscaping help retailers capture the attention of potential customers.

The architect must balance the aesthetic factors that affect image with the complex operational needs of the retail business. Economic considerations include future maintenance and energy or utilities requirements, as well as construction and materials costs.

1.6 RELEVANCE OF MANAGING EXTERIOR AND INTERIOR AMBIENCE

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A store's exterior and interior design affect its image and profit potential. The exterior should be attractive and inviting and should blend with the store's general surroundings. The term "Atmospherics" is used to refer to the retailer's effort at creating the right ambience. Merchandise display is equally important. An effective layout guides the customer though the various sections in the store and facilitates purchase.

Concept and Significance of Ambience

The store atmosphere, more commonly known as store ambience, plays a very vital role in enhancing customer's shopping experience. It supplements the other two elements mentioned above. People like to be in a good atmosphere, which in retail is the store ambience. The store ambience is an environment that is created by visual communications, lighting, music, colours, etc. to generate a stimulus among the customer's perceptions and emotions that will affect their purchasing behaviour. The store atmosphere is about having a look at an environment that suits the target market and invites consumer for purchase The Indian consumers generally shop from markets and areas which are tacky, filthy and stinking. They buy goods at bargained prices, but this trend is changing. Instead of moving into weekly haats, melas, mandis or any other traditional form of retail, consumers prefer walking into an air-conditioned store to buy the products. Not only this, but clean and tidy stores, high speed escalators, scented environment, arresting displays draw their attention making it more comfortable and fun to shop. Today, the stores have become hotspots of entertainment for a major chunk of the population i.e, the youth. The consumer expectation for modern retailing environment is accelerating at a very last pace. In order to create an unparalleled experience with the retail store understanding the customer preferences are of prime importance. The store ambience is to be designed to make shopping easy and give a comfortable feeling. It enhances the shopping experience by assisting the shoppers what they want from an assortment of products in the store. To create a favourable mindset of the consumer towards the store image and store position it is important to have an ambience that has the potential to make the shopping pleasurable by forgetting the bitterness of heavy prices to be paid for expensive products in the stores. With the growing trend of modernization, architects are designing, stimulating storefronts and interiors that create an impression of distinctiveness. It helps to satisfy the customers and create a warm welcoming feeling which will certainly enhance a customer's mood and improve the chances of turning a single sale into a long-term relationship. It is incredible to make a sale but it is so much more profitable to keep the customer satisfied thus developing customer loyalty. Store ambience also assists in enhancing the brand value of the various products. It

Three other important functional aspects of exterior design are customer visibility, store security, and potential for efficiency among staff and associates.

A variety of approaches to store exteriors are available to retailers. Modular or prefabricated structures are pre-manufactured, fitted with electrical and plumbing fixtures, and transported to be secured on a slab or attached to other units. These buildings are most commonly found in a self-service format, such as a convenience store. Chain store companies with freestanding stores may use uniform prototypes of different sizes, each having standard specifications, to achieve cost advantages through mass production.

Retailers entering shopping malls often find that the developers establish the rules for storefront design to ensure overall image consistency. An exterior design may be subject to the approval of many agencies, including zoning boards, fine arts commissions, and residents' associations as well as developers and other retail tenants. The aesthetic benefit of consistent design is evident in the traditional marketplaces that have been carefully restored.

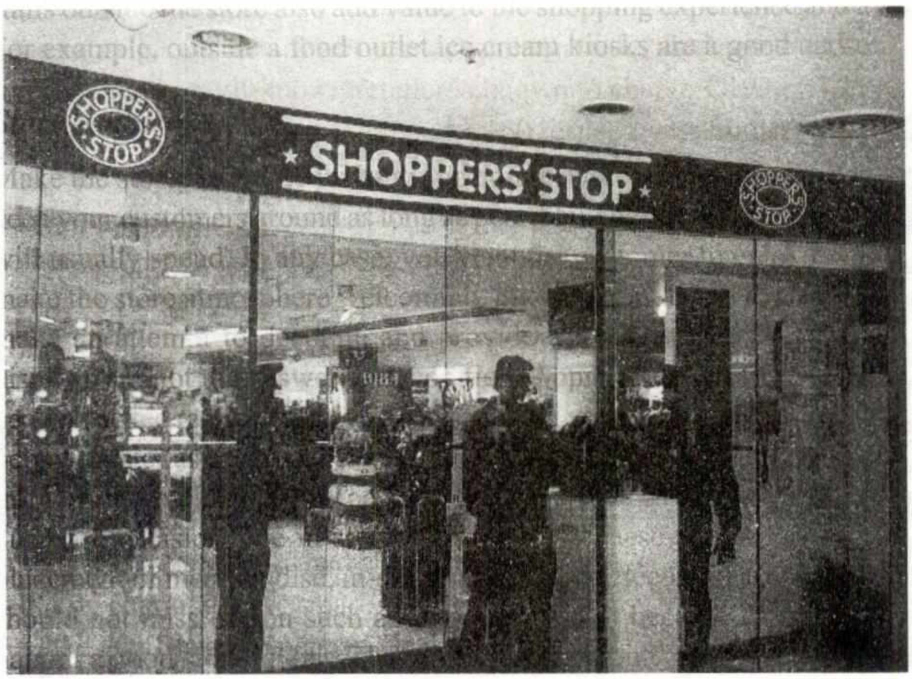

Fig. 1.8: Exterior Design of Shopper's Stop

Signs and windows also are important components of the exterior appearance of a retail business. Like other elements of the design mix, they help the retailer establish an identity in the minds of target customers.

Relevance of Interior Ambience

The interior design of the retail store determines the way the merchandise is stored and offered for sale. The interior design should allow easy access to merchandise for customer. There are several layout patterns that enhance the customer's access to

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goods. The interior also projects an image to the shopper that should be consistent with that conveyed by the store's promotion, price, and merchandise and with the exterior design. The store interior must make the customer comfortable and encourage shopping.

The objective of layout management is to obtain the maximum benefits from the space available. There are issues that retail managers should consider when they make layout decision:

1. Value of Space

The value of space, depending on the location within the store, is expressed in sales per square foot of floor space, and sales per cubic foot of cubic space. Sales per square foot are the typical measure for a store, department, or freestanding display. A display, for example, may generate sales of $1,500 per square foot, whereas a retailer like Sam's will generate sales of $500 across the entire store. Sales per liner foot are the common measure of shelf space for items like groceries, pet foods, and health and beauty aids. An emerging method of calculating space value on the shelf is sales per square foot of exposure space. This is calculated by a length time's height measure of vertical space. Space has height value in addition to liner value. Sales per cubic foot are a relevant measure for freezer and refrigerator cases.

The first and perhaps the most significant element in planning a store layout is the fact that store space varies in value. Some parts of the store are visited by more people than other parts. Therefore, it is easier to make sales along the routes travelled by customers. This means that the value of the space is higher along the more highly travelled routes. Not surprisingly, the area closest to the entrance of the store is the most valuable. The space nearest the front ranks second value, and so on to the back of the store. By the same line of reasoning, store space is less valuable in parts of the store that are difficult to reach. One would also expect variations in sales profits on different floors of the same store. As height from the ground floor increases, the difficulty of attracting customers becomes greater. Consequently, space on the upper floors or in the basement has less value than space on the main floor.

2. Space Utilization and Allocation

The available space in the store is divided into selling and non-selling areas. The non-selling space includes administrative offices, storage, and customer amenities, such as rest rooms. These are all critical requirements for a store. The desire to minimize non-selling space has led to several innovative operating procedures. Among them is the restocking of inventory. Many retailers have begun using quick response (QR) inventory system, where inventory arrives from vendors or a distribution center as it is needed on the selling floor. Many retailers lack the partnering relationships with vendors required for QR.

There are several different methods of determining the amount of space a department or product class should receive. Among the most popular is space

allocation by historical sales, gross margin contribution, industry averages, or strategic objectives. Some departments command a higher gross margin and higher sales volume per square foot than others. Because departments such as jewellery, candy, and toys can play their way in the high-value locations of the store, they can be placed in the more valuable areas. Some merchandise has better display potential than others and is capable of generating higher sales per square foot. A leather goods department, for example, lends itself to an interesting and dramatic display. Therefore, departments with such capabilities should receive choice locations.

- **Allocation by historical sales.** The amount of space that a department or product is allocated is sometimes based on the proportional sales of the product. For example, if apparel traditionally accounts for half of the store sales, it would receive half of the space. A minor problem with this method is that it can lead to under or over allocation of space over time. For example, if space is allocated each year and a department has decreasing sales, the space of that department is decreased. This could lead to a greater decrease in sales, which in turn will lead to a continuing decrease in space. Another potential problem is the over allocation of space on high-priced items. A jewellery department may have very high sales compared to shoes; however, jewellery requires less space because of its physical size. Competition may mean that some volume selling seasonal goods have much lower margins. This can lead to a great deal of space given to a less profitable item.
- **Allocation by gross margin.** One way around the problem of allocating space by sales is to allocate it by gross margin. You remember that gross margin is sales less cost of goods sold. The same method as sales is used except that space allocation is based on the proportion of margin. For example, assume an electronics department has 10 percent of the sales but contributes only 8 percent of the total gross margin for the store. The department would receive only 8 percent of the space. On the basis of financial criteria, these programs recommend how much space each category of products should have and a specific product mix that will enable the retailer to maximize profits.
- **Allocation by industry averages.** Stores sometimes allocate space based on competitive pressures. They allocate the same proportion of space to a particular item as the competition or a similar store. Trade associations provide these kinds of data. This allows the retailer not to appear weak in a particular department. However, it also creates a "me too" atmosphere that may not differentiate the store from competitors.
- **Allocation by strategic objective.** Often a store will wish to build up sales in a particular product line. The manager will allocate the product more space that is justified by its previous sales. For instance, if shoes are not selling well but they are important to the image of the retailer, a manager may give more space to the shoe department so that more varieties in types and styles and a greater

assortment of colors and sizes are available for sale. Store managers may also use this method for short term promotion to build up sales of new product line. Thus, this is sometimes referred to as the 'build up" method.

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3. Storage of Stock

There are three accepted ways to handle storage in designing a retail store. The first way is to use direct selling storage – either exposed in show cases, counters, and drawers, or concealed behind cabinet doors. The second way to provide for storage is through stockrooms directly behind the selling area and in the perimeters. The third way is through a central storage location. In general, central storage is best located next to receiving and marking areas and as close as possible to selling areas. The trend is to reduce inventory levels by more frequent delivery and better forecasting of sales. It has become easier to display a greater percentage of the store's stock, leaving as little in concealed areas as possible. Some store formats, like Service Merchandise, do not sell the stock on display. The goods are stored on floors above the selling area and then sent to a receiving area for customer pickup. Furniture, carpet, and appliance stores of ten stock merchandise off-premises in less expensive warehouse space because delivery to the home is required. There is no reason for valuable selling space to be devoted to duplicate items on the selling floor.

Exposed merchandise has great appeal. Recently, there has been a movement toward open storage, displaying the entire inventory on hand and eliminating dead space. The trend toward self-service selection has made it practical to display most of the stock. Furthermore, stocking and stock maintenance time is reduced. So storage area is becoming more and more important in the recent days.

4. Customer Traffic Flow

Merchants use three basic types of layout patterns to control traffic flow in a store. The first type is known as the grid pattern. This arrangement has main, secondary, and tertiary aisles. The layout often maximizes the amount of selling space. It has an advantage in lower costs because of the possibility of standardizing construction and fixture requirements. The second major type of layout design is the free flow pattern. The free flow arrangement provides for flexibility in a layout. It reduces to a minimum the structural elements that form the fixed shell of building, such as columns and fixed partitions. Counters are arranged to give maximum visual interest and customer attention to each merchandise department. Counters can be positioned so that their angles will literally capture customer in a department. The third type, the "shop" concept or boutique pattern, is a natural extension of the free flow layout arrangements. Shops must be presented to the public so that they stand out from other departments and become small, intimate specialty stores within themselves. The free flow layout patterns make this easy to do.

Stores should be laid out so that customers can get to various parts conveniently and with little effort. Some aisles are made larger and are designed to accommodate a

higher traffic count than others. In general, aisles should be wide if the merchandise adjoining the aisle is the type that customers like to look at for a long time before purchasing; if there tends to be a large concentration of customers, such as at entrances and escalators and before promotional merchandise displays; or if the retailer is attempting to control traffic to maximize customer exposure to various merchandise departments.

5. Types of Goods

Merchandise can be broken up into four major categories: impulse goods, convenience goods, shopping goods, and speciality goods.

- Impulse goods are goods customers buy as unplanned purchases. An example might be candy sold at the checkout counter, corkscrew in the wine section or videotape in the electronic section.
- Convenience goods are those that consumer put a minimum amount of thought into, usually purchasing a known brand or whatever is available. Examples are newspapers and batteries.
- Shopping goods are those for which a customer is willing to search and compare. There may or may not be a brand preference. If a customer is willing to search and compare. There may or may not be a brand preference. If customer is looking for a specific brand, such as a Sony Trinitron TV, the shopping may be for the best price or service. A customer will likely make a trip to different stores seeking just the right goods.
- Speciality goods are those for which customers have a preconceived need and for which they make a specific effort to come to the store to purchase. Consumers usually will not accept a substitute for a speciality good and will sometimes go to extraordinary effort to purchase such an item.

Impulse and convenience goods benefit by being located in high traffic areas where customers, as they pass by the displays, are likely to pick up an item for purchase. In many stores the checkout counter will be crowded with impulse goods such as candies, batteries, and miscellaneous odds and ends. Shopping goods on the other hand, because of the preconceived need, may be situated in more remote areas of the store. In most of the grocery stores, the meat is located at the back. This encourages the customers to pass through other aisles and increases the possibility of a higher number of purchases. Speciality goods are unique in that they can create customer traffic. Often a store selling speciality goods can locate in a less expensive site.

The type of the merchandise is the important consideration in a store layout. Think about how all four types of goods might influence a layout in a discount drug store. For a particular customer a prescription could be a speciality good, and the customer would travel through a maze to get to the pharmacy. While going to the pharmacy a lot of convenience goods such as health and beauty aids may be picked

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for purchase. While in the store the customer could seek out the area where a shopping good like a home vaporizer was located and do some brand and price comparisons for the future purchase. In the check out area an un-planned purchase of film could be made. The key to using the type of good concept for layout is to understand how the store's target market shops for the goods that are going to be offered.

- **Complementary merchandise placement.** The layout must also take into consideration the nature of complementary merchandise that is interrelated: A sale of an item prompts the sale of another item. For example, the sale of a shirt could logically lead to the sale of a tie, which in turn could lead to the sale of a tiepin. Because of these additional sales possibilities, it is appropriate to plan the interior design so that related merchandise is in close proximity.
- **Seasonal departments.** Some departments need considerable space during particular times of the year. Seasonal departments such as toys, lawn and garden, and greeting cards are examples. Because these departments must expand and contract during certain times of the year, provision must be made to accommodate these seasonal changes. To accomplish this, departments with offsetting seasonal peaks in sales should be placed next to one another or in place of one another.

1.7 VISUAL MERCHANDISING

The art of increasing the sale of products by effectively and sensibly displaying them at the retail outlet is called as visual merchandising. Visual merchandising refers to the aesthetic display of the merchandise to attract the potential buyers, prompt them to buy and eventually increase the sales of the store. In simpler words, visual merchandising is the art of displaying the merchandise to influence the consumer's buying behaviour.

The store must offer a positive ambience to the customers for them to enjoy their shopping.

The location of the products in the store has an important role in motivating the consumers to buy them. Sensible display of the merchandise goes a long way in influencing the buying decision of the individual.

The end-user will never notice something which is not well organized: instead stacked or thrown in heaps.

Proper Space, lighting, placing of dummies, colour of the walls, type of furniture, music, fragrance of the store all help in increasing the sale of the products.

- Lighting is one of the critical aspects of visual merchandising. Lighting increases the visibility of the merchandise kept in the store. The store should be adequately lit and well ventilated. Avoid harsh lighting as it blinds the customers who walk into the store.
- The signage displaying the name of the store or other necessary information must be installed properly outside the store at a place easily viewable to the customers even from a distance.
- The retailer must be extremely cautious about the colour of the paint he chooses for his store. The paint colour can actually set the mood of the customers. The wall colours must be well coordinated with the carpet, floor tiles or the furnitures kept at the store. Dark colours make the room feel small and congested as compared to light and subtle colours.
- The store must always smell good. Foul smell irritates the consumers and he would walk out of the store in no time. Use room fresheners or aromatic sticks for a pleasant environment.
- The merchandise must be properly placed in display racks or shelves according to size and gender. Put necessary labels (size labels) on the shelves as it helps the customers to locate the products easily. Make sure the products do not fall off the shelves as it gives a messy look.
- The dummies should be intelligently placed and must highlight the unique collections, latest trends and new arrivals in order to catch the attention of the individual. The dummies should not act as an obstacle and should never be kept at the entrance of the store.
- Don't play blaring music at the store. It acts as a hindrance to effective communication and the retailer can never understand what the buyer actually intends to buy.
- Select the theme of the store according to the season. Red should be the dominating colour during Christmas or Valentines Day as the colour symbolizes love, fun and frolic. A white theme would look out of place during the season of love.

Don't keep unnecessary furniture as it gives a cluttered look to the store.

Why Visual Merchandising?

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- Visual Merchandising helps the customers to easily find out what they are looking for.
- It helps the customers to know about the latest trends in fashion.
- The customer without any help can actually decide what he intends to buy.
- It increases the sales of the store and results in increased level of customer satisfaction.
- The customers can quickly decide what all they need and thus visual merchandising makes shopping a pleasant experience.
- Visual merchandising gives the store its unique image and makes it distinct from others.

1.8 MERCHANDISE DISPLAY

Meaning and Concept

Merchandise displays are the special presentations of a store's products used to attract and entice the buying public. The nature of these displays may vary somewhat from industry-to-industry, but all merchandise displays are predicated on basic principles designed to increase product purchases. Indeed, merchandise displays are an integral element of the overall merchandising concept, which seeks to promote product sales by coordinating marketing, advertising and sales strategies.

Many business consultants believe that small business owners are among the leaders in innovative merchandise display strategies. W. Rae Cowan noted in Chain Store Age Executive, for example, that "in many instances, smaller specialty chains are leading the way in store ambience supporting their overall marketing strategy in a broad range of categories from fashion through hardware and housewares and building supplies areas. By their very nature, specialty stores depend on their fixturing to generate a differentiation or niche in the marketplace. And being physically smaller in some cases allows for faster response to market trends and conditions. Successful retailers today are using their fixturing to productively dispense their merchandise and communicate an appropriate environment on the retail floor."

Types

Merchandise displays generally take one of several basic forms:

- **Storefront Window Displays:** These typically open on to a street or shopping mall walk or courtyard and are intended to attract passerby that might not otherwise enter the store.

- **Showcase Displays:** These typically feature items that 1) are deemed to be too valuable for display in storefront set-ups, or 2) are niche items of high interest to the business's primary clientele. These display centres are usually located in high traffic areas and typically feature multiple tiers for product display and a sliding door on the clerk's side for access.
- **"Found-Space" Displays:** This term refers to product presentations that utilize small but nonetheless usable areas of the store, such as the tops of product carousels or available wall space.

Storefront window displays and "found space" displays are particularly popular tools for publicizing and selling sale items.

1.9 RACKS AND SHELVES

Racks, shelving, bins, hoppers and other structures for the storage of materials should be adequately designed to support and contain the materials for which they are used. Allowance should be made for the possibility of stored materials becoming waterlogged, and for shock loads from placing materials or from accidental contact by handling equipment. When partitions are used to increase storage capacity, or to separate stored materials, they should be adequately designed and be of sufficient strength to contain the stored material safely. Fire-protective partitions should be used between stored items of differing vulnerability to fire. The corners or ends of shelving and racks should be protected from damage by forklift trucks or mechanised equipment by steel posts, angle irons or other means.

1.9.1 Importance

There is a huge amount of competition in the retail sector and supermarkets. High street stores and eve designer boutiques need to do everything they can to make sure customers buy their products and not those of their rivals. Of course, the quality and price of the products themselves are an important factor in attracting consumers, but how those products are displayed, both in window displays and the interior of the store, is also vital; which is why good quality shop shelving is an investment that is worth making when fitting out a retail unit.

Fashion retailers, in particular, are guilty of assuming that innovative window displays are enough to grab the customer's attention and that simply hanging clothes on a rack is all the effort that they need to make. Even retail experts may wonder what other way there is to sell fashion, but clever use of shop shelving can make all the difference in improving the interior of a store and improving sales.

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Maximise space by displaying just one example of each shirt, dress or skirt on a mannequin or hanger, with the available sizes tucked out of the way on shelving units. Not only does it save the retailer space, but it saves the customer time; they can immediately see a frontal view of how the piece of clothing will look, rather than having to pull pieces off a rack in order to get a proper view.

Shop shelving is not only a sensible use of space, but it keeps the store looking tidy and organised. Consumers are more likely to shop in a store where it is easy to find what they are looking for, rather than having to rummage through overloaded racks as if they are at a jumble sale. Think how messy and disorganised shops look at sales time, with clothes falling off their hangers and lying all over the floor; keeping items folded neatly makes the interior much more appealing, and therefore much more popular, with passing window shoppers.

Before retailers head out and buy themselves cheap units to help organise their stores, it is worth considering a few properties that shop shelving needs to have in order to be effective. If the store has large amounts of stock to put on display, the shelving needs to be strong enough to hold it all. Fixing units to the floor or walls can help make even tall pieces stable, and prevent complaints from customers when stock falls on them from above. Finally, if the idea of fitting a retail unit with shelving is to make it look better, then it is worth investing a little extra in stylish units that fit in with the general look of the store. Using cheap units to display and store designer outfits is a false economy.

1.9.2 Types

The following are the key types of racks:

1. Supermarket Racks

The supermarket racks are used for sales displays in the store. There are a significant range of supermarket racks available in the market. The wide range of supermarket

racks include wide range of products like gondolas, lighted gondolas, centre racks, wall mounted racks, cash counters, impulse units, trolleys etc., supermarket racks are characterized by its:

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- Robust appearance
- Modularized structure
- Flexible design
- Easy installation

A clean, attractive, colourful store has a strong influence on customer's behaviour and a powerful means of developing long-term business through repeat customers.

Gondola

Wall Rack

Centre Rack

2. Fruit and Vegetable Racks

These types of racks are used to display the fruits and vegetables in the store. Available in different sizes, the vegetable racks are extensively used in supermarkets and hypermarkets.

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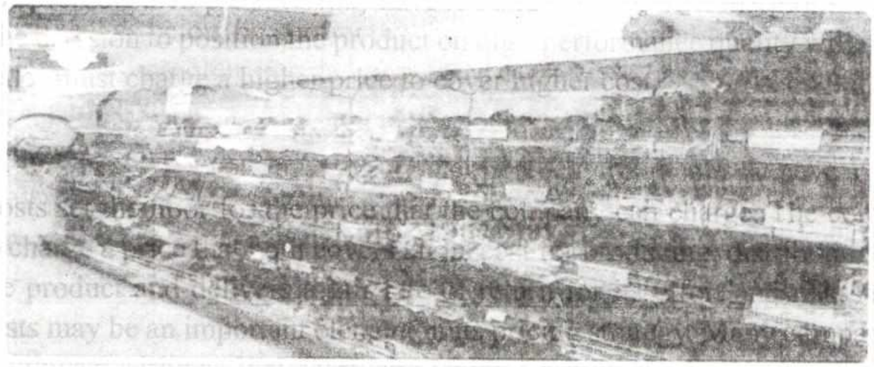
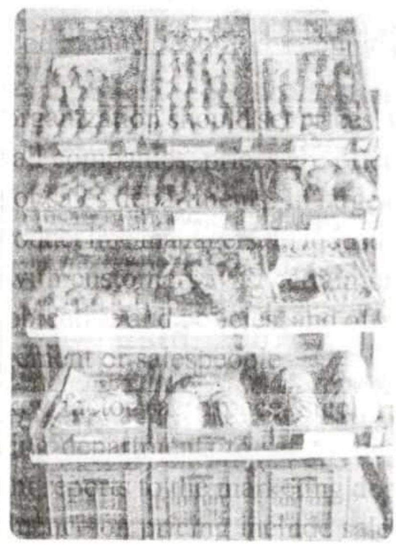


Fruits & Vegetables Racks

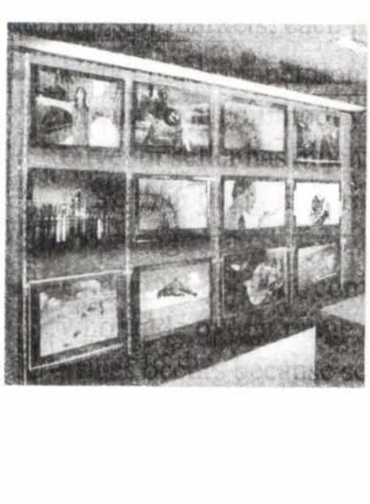
Fruits & Vegetables Baskets

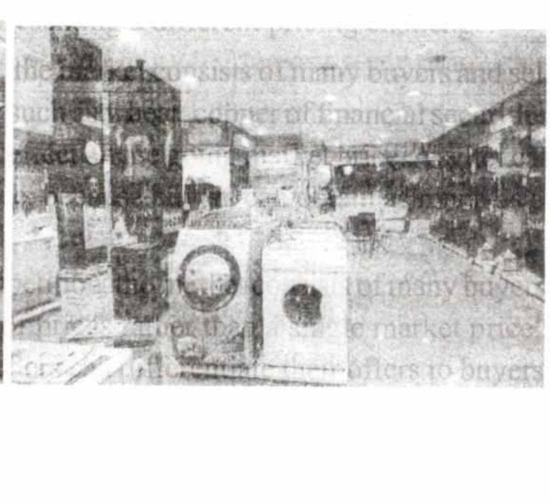


Fruits & Vegetables Racks

3. Electronic Racks

Electronics racks are used for small appliances, fax machines, printers, microwaves etc. It offers a simple solution for displaying electronic equipments by providing a range of racks such as LCD racks, laptop racks, AC racks and many more.

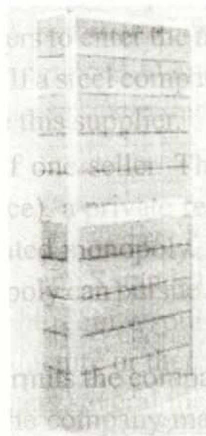




4. Showcase Racks

Showcase racks are widely demanded in shops and stores selling toys, gifts, stationeries, pharmacy stores etc. Specifically designed for displaying various types of products, these showcases are easy to set up and have adjustable shelf. The following are key types of showcase racks:

(a) Counter Type



(b) Wall Showcase

5. Pharmacy Racks

The pharmacy racks are customised based on the requirements. The racks are made of MDF materials with glass displays or with metal racks with plastic drawers. The height of the storing levels is adjustable and could be dismantled for convenience.

6. Book Racks

The book racks are manufactured as per the industrial standards and are provided with excellent finish in order to make it look attractive. Moreover, these can be customized on parameters like sizes, number of shelves and dimensions as per the client's requirements. The library racks are also mechanically or electrically operated and are designed to provide the following advantages:

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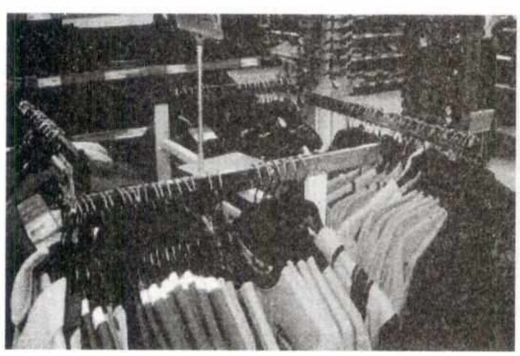
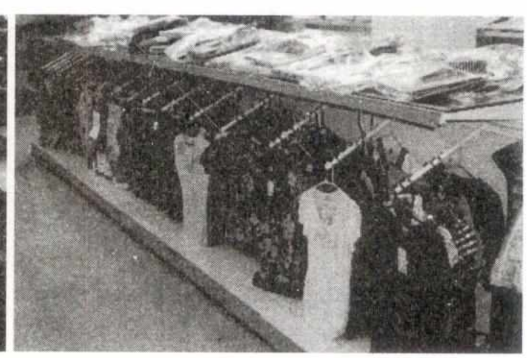
- Protect library collections
- Ensure security for the library users
- Meet seismic code requirements and other environmental conditions

7. Textile Racks

Textile racks include a variety of Garment Racks which includes Adjustable Garments Racks, Elegant Garment Racks, Rolling Garment Racks and Commercial Garment Racks. We have a capability of developing, product designing and rich experience in quality control. The garment Racks are well suited to be used in Retail Store, Commercial Laundries, Swimming Pools-sites and Garment Export / Import Houses Sampling Areas.





8. Shoe Racks

There are several different types of shoe racks: over the door, on the floor, integrated plastic shelving, fabric, wood peg, standalone metal shelving, and more. Like most organizational features, deciding what kind of system is best for you comes down to subtleties. Think about how you get dressed in the morning, where you like to

put your shoes when you get home in the evening, and where your children tend to toss their shoes after playing outside. Buy an organizational system that fits your lifestyle — rather than the other way around — to ensure that it will be used.

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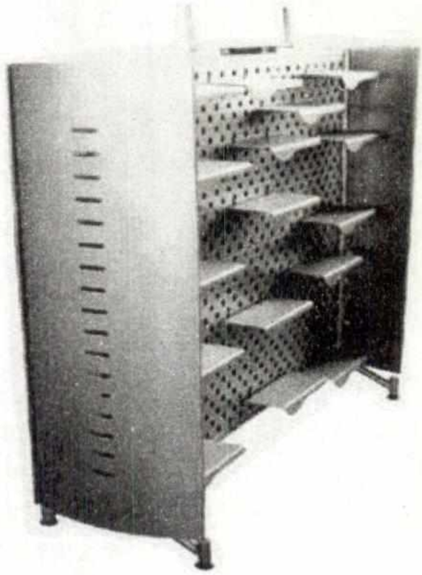
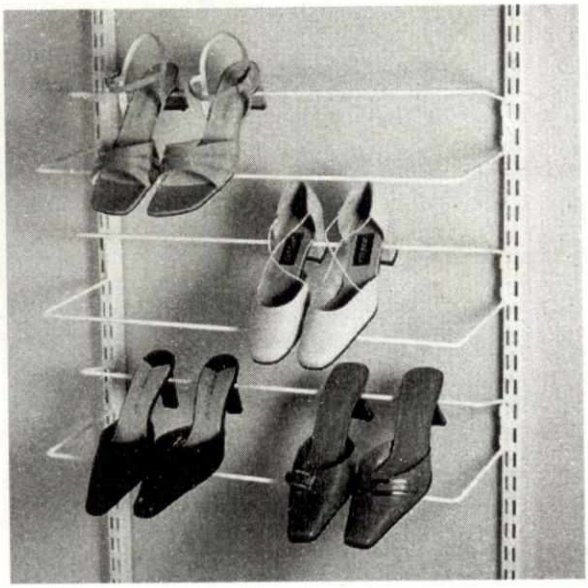
Shoe racks also come in various materials, and since you want a shoe rack to blend into your home's decor, it's important to think about what's going to wear the best, and what will hide dirt from your shoes.





9. Cantilever Racks

Cantilever racking is designed for the storage of long items. It is the perfect solution for bars, tubes, profiles and sheet materials. It is used extensively throughout the metals, timber and plastics industries. Often used with side-loading for lifts in narrow aisle configurations, it can also be fitted with product retaining trays or with beams to provide continuous uninterrupted storage.

Features

- **Easier to use:** With no front column in the way, cantilever racks are faster to load and unload, lowering handling time and costs.
- **More flexible:** Loads may be placed anywhere along the entire length of a row on a cantilever rack.
- **More compact:** The lack of a front column saves horizontal space normally lost to rack structure. Handling clearance is also more abundant.
- **More selective:** Any load or storage slot is immediately accessible.
- **More economical:** Both reduced handling times and increased space utilization make cantilever racks more cost-efficient. Additionally, cantilever racks become more economical as load length increases, while standard pallet racks increase in costs.

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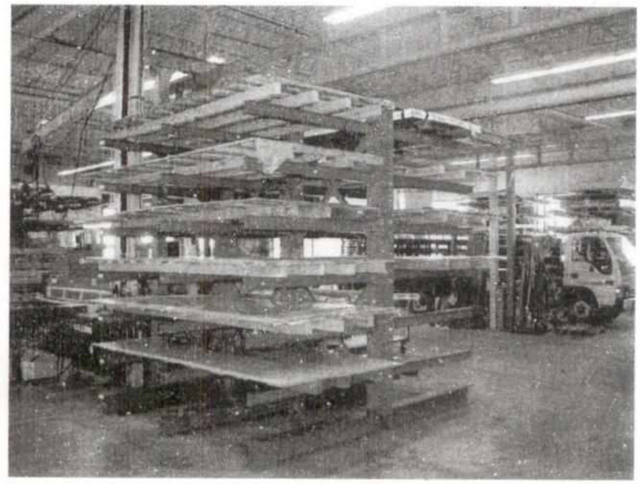
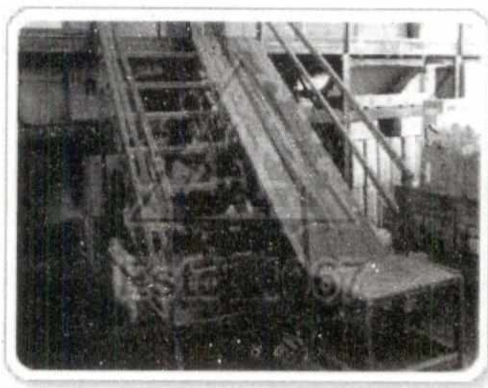
- **More adaptable:** Cantilever racks can store nearly any type of load. They are especially useful for storing long, bulky, or oddly-shaped loads.

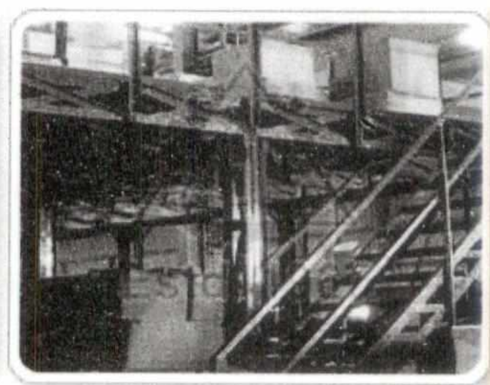


10. Mezzanine Floor

Mezzanine floor is the fast and convenient way to gain extra floor space. Mezzanine floors provides the advantages of creating additional space within the structure of a new or existing building without the cost and inconvenience of moving and relocating premises. All mezzanine floors are designed to comply with current building regulations.

A simple storage platform can release ground floor space for production or further storage. The lower and upper floor areas could be partitioned for offices or mesh security enclosures. Multiple-tier systems can be constructed to provide as many levels as the building height allows.





1.10 STORE FRESHNESS AND EXQUISITENESS

A retail store may offer the best of products at the best bargains, but it is all fruitless if there are no people walking through the door. Ever wonder if your store's atmosphere

could be working against welcoming footfall into your store? To survive in the market, retailers need to make their store visually attractive from the inside and welcoming from the outside.

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Work from the Outside

It is the first thing the customer sees before entering your store; the storefront. It makes good sense to focus your creative energies on how the signage and storefront look like. The business name should be clear and well defined. Its look should be refreshed and spruced up once in a while; you obviously don't want your customers to get the feeling that your signage was made sometime in the 90s when now it is 2013. Store signage should be clear and visible from a distance. Trees around the store should not obscure the view, and therefore should be regularly trimmed. The signage should be well-lit in the evenings and made to look clean and well-looked after. Not only does this give you an edge over opposition, it represents the store's inclination towards welcoming its customers. Add-ons like store-related kiosks and stalls outside the store also add value to the shopping experience and attract footfall. For example, outside a food outlet ice cream kiosks are a good add-on.

Store Ambience

Make the store ambience inviting and comfortable. In most businesses, you want to keep your customers around as long as possible. The longer they linger, the more they will usually spend. In any case, you want the customer to enjoy coming to you. So make the store atmosphere welcoming, attractive and friendly. Store owners should make an attempt to decorate and provide a visually interesting space. Elaborate displays are not the answer to decoration. Appropriate lighting, well painted walls, neatly stacked racks, attractive decor, friendly yet unobtrusive sales people, soothing/ peppy music (as the brand demands) are a few things the store owner can look into in the hope of increasing footfalls. Researchers have proven that 70 per cent of purchase decisions are in-store decisions, and these are largely influenced by the placement of merchandise, in-store signages, the décor so on and so forth. A retailer should not miss out on such an opportunity just because of not putting time into having a good store layout. The store signage should convey the retailer's message loud and clear. It should be informative enough for a customer. In-store signages should educate the consumer on what they are looking at and to direct them at what they would want to locate inside a store. In an apparel store a customer is often lost if the in-store signage for a trial room are not clearly located. Signages for 'large' 'medium' and 'small' sizes should be placed next to the merchandise to facilitate the customer's search.

The Location

The location is also important for shopper traffic in a store. Depending upon the retailer's requirements he can have a store at high-street or at a mall. Having a store

at a good location where foot traffic can flow into the store can be just the thing that can improve sales. Also ensure that the surroundings of the store area are welcoming. Littered area in front of the store gives a bad impression. Instead of expecting customers to walk in, the retailer should go where they are; at local events, near schools and malls. The business owners should go and invite people, either for sales or promotional events. This drives clients into your store and deepens the physical footprint of your retail store.

There is never a second chance to make a first impression. Taking a cue from this, store owners should realise that neglecting store environment, inside or outside can have serious implications on the sales of the store. It does not take a genius to figure out that an emphasis on store ambience, design and feel will ultimately influence the purchase decision of the customer.

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Check Your Progress

Fill in the Blanks

4. The art of increasing the sale of products by effectively and sensibly displaying them at the retail outlet is called as............ .
5. .... are widely demanded in shops and stores selling toys, gifts, stationeries, pharmacy stores etc.
6. .... racking is designed for the storage of long items.
7. .... provides the advantages of creating additional space within the structure of a new or existing building without the cost and inconvenience of moving and relocating premises.

Case Study: Strategies That Barista, Cafe Coffee Day and Qwiky's Have Adopted in Indian Market

Strategies adopted by Barista

Barista established in 2000 in New Delhi was the largest and fastest growing coffee chain in India. Barista positioned itself as a lifestyle brand with Italian neighborhood. Barista was the leader in espresso coffees. Barista was made with top grand Arabica beans and brew masters from Italy were invited to create blends. Alliance with Tata coffee would supply food items like baguettes, croissants, cookies, sandwiches, pastries and desserts. Every month it introduced and focused on a particular type of coffee. The idea was to change customer's occasional indulgence and make it a habit and educate them about the original coffees. It also developed store-in-store concept by focusing on themes that compliment coffee, such as music, books and art. Barista entered into marketing tie-ups with planet M, crossword and Ebony to set up it Espresso's at the corner. It also wanted to enter into co-branded marketing tie-ups with several banks for credit cards. The company also entered branded merchandising with caps, coasters, co's and cups. Barista entered home brew segment with freshly grounded coffee. The company extended its product portfolio from roasted coffee range to single origin coffee. Barista's single origin coffee powder has a status symbol. It was planning to enter the international market. Barista planned to tie-up with ABN amro for opening "Banlafes". This concept helps to 'bank at leisure" enabling customers to visit the bank after banking hours on any day in an informal and friendly environment. It even tied up with BPCL to open coffee kiosks. Barista's adopted a strategy on which it segmented itself to the elite class. This class has high potential because these people associate with anything that is of status symbol. They spend very high. So Barista choose this segment which contains

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people with big designations like MDs, Doctors, CEOs and people belonging to the elite class. They like to be in a place which is classy and luxurious like Barista. This segment has high potential.

Strategies Adopted by Cafe Coffee Day

Cafe Coffee Day offered an informal ambience with bright and eye-catching interiors. Visitors could sip coffee, browse the internet, conduct business meetings or just while away time with friends. Cafe Coffee Day was well looked as a cool-hangout for college crowd and teenagers. This promoted young artists and displayed their paintings on their walls. In 2001, a new logo was chosen leaving the old one which was bit old fashioned. The interior were redesigned and new menu was also introduced along with the new crockery. The baseline also changed to "A lot can happen over coffee". Musical events were organized to attract youth. "Café jockey" was introduced which selected children above 15yrs and gave them 1 week training. In addition to the commercial and residential clusters in metros, Cafe Coffee Day's also targeted other locations like corporate houses, airport, hospitals and shopping malls. Cafe Coffee Day priced its products 20% lower than its competitors. Cafe Coffee Day positioned itself as a mass market brand, mini-metros were also added to its list. It targeted the middle class, upper middle class, house wives and students. The prices are less compared to the other two. This segment has high potential and great buying power and has great market share.

Strategies Adopted by Qwiky's

Qwiky's strategy was that to make their customers make them feel comfortable and have fun. The staff at Qwiky's was trained to understand body language. They were very frankly with the customers. Qwiky's objective was to target the "young at heart" that were looking for fun and relaxatation. They offered different varieties of coffee. Customers were given a choice of drinks that were not common in India. It had a separate vending area for chocolate products. Qwiky's coffee pubs were located at strategic points which were frequented by youth. Qwiky's pubs were located at intersection of roads in a corner where two side of café were made of glasses and faced the road. It even had coffee making machines for sale and also a trainer to teach how to make perfect espresso. It also planned to launch ready to drink coffee sachets. Their prices were based on the real-estate prices in that particular area. Qwiky's positioned itself as a place where people can come for fun and relaxation, it targeted people having fun and young at heart. People who were quite interactive and friendly were appointed as staff to make their customers feel comfortable and while away their time. It was a place to hangout.

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Conclusion

The strategy adopted by Barista would suit the Indian market. Barista came up with uniqueness in its interior with Indian neighborhood. It also offered several services along with serving coffee. Several international varieties of coffees are served in Barista. The ambience was great. The perfect Italian varieties of coffees were served with brew masters from Italy. They came up with single origin coffees and attracted with the niche set of consumers. Many varieties of coffees are served in Barista. People feel very comfortable. It also serves food items like pastries, sandwiches. People started thinking that Barista has become a status symbol. So they wanted to associate themselves with Barista. It's planning to go international into many countries. It's even planning to co-brand with several banks for credit cards. People of India always wanted something new and different. So Barista's strategy perfectly suits the Indian market.

Source: *Scribd.com*

1.11 SUMMARY

- Location is the most important ingredient for any business that relies on customers. It is also one of the most difficult to plan for completely.
- Retail stores should be located where market opportunities are best. After a country, region city or trade area, and neighborhood have been identified as satisfactory; a specific site must be chosen that will best serve the desired target market.
- Commercial retail locations are available in many different forms. Stop and think about the businesses in your town. Like most communities, there are probably older shopping areas, new bustling retail locations and some tucked away shops.
- Store design is the architectural character or decorative style of a retail store that conveys to the customer "what the store is all about." Retail stores vary so much in kind, size, and geographical location that it is difficult to generalize about design.
- The straight floor plan is an excellent store layout for almost any type of retail store. It makes use of the walls and fixtures to create small spaces within the retail store. The straight floor plan is one of the most economical store designs.
- Store fixtures are used for visual merchandising and display.
- A store's exterior and interior design affect its image and profit potential. The exterior should be attractive and inviting and should blend with the store's general surroundings.

- Visual merchandising refers to the aesthetic display of the merchandise to attract the potential buyers, prompt them to buy and eventually increase the sales of the store.
- Racks, shelving, bins, hoppers and other structures for the storage of materials should be adequately designed to support and contain the materials for which they are used.

1.12 KEY TERMS

- **Store design:** Store design is the architectural character or decorative style of a retail store that conveys to the customer "what the store is all about."
- **Visual merchandising:** Visual merchandising refers to the aesthetic display of the merchandise to attract the potential buyers, prompt them to buy and eventually increase the sales of the store.
- **Store fixtures:** Store fixtures are used for visual merchandising and display.

1.13 ANSWERS TO 'CHECK YOUR PROGRESS'

1. Store design is the architectural character or decorative style of a retail store that conveys to the customer "what the store is all about."
2. Remote location means a freestanding retail outlet located on either a highway or a street. There are no adjacent retailers with which this type of store shares traffic.
3. The diagonal floor plan is a good store layout for self-service types of retail stores.
4. Visual merchandising
5. Showcase racks
6. Cantilever
7. Mezzanine floors

1.14 QUESTIONS AND EXERCISES

Short Answer Questions

1. Explain the meaning of prime retail location.
2. What are the key disadvantages of remote location?
3. What is a straight floor plan?
4. What are the key characteristics of slatwall fixtures?

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5. What are the different types of goods?
6. Define visual merchandising.
7. What are the key advantages of prime retail locations?
8. What are the impulse goods?
9. What are the key features of book racks?

Long Answer Questions

1. What are the different types of stores/mall location choices?
2. What are the key requirements and factors affecting the retail store design?
3. What are the different types of store layout?
4. What are the different types of store fixtures? Explain with the help of suitable examples.
5. Discuss the relevance of managing exterior and interior ambience.
6. What are the different types of racks and shelves?
7. Discuss the nature and concept of store freshness and exquisiteness.

UNIT 2 INVENTORY MANAGEMENT

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Structure

2.0 INTRODUCTION

Inventories are materials and supplies carried on hand either for sale or to provide material or supplies to the production process. They provide a buffer against the differences in demand rates and production rates. Inventory Management involves the control of current assets being procured or produced in the normal course of the company's operations i.e. or "how many" parts, pieces, components, raw material and finished goods the firm should hold and when should it replenish the stock. The purpose of holding inventories is to allow the firm to separate the processes of purchasing, manufacturing, and marketing of its primary products. In other words, the inventory forms a buffer that ensures the flow of the goods and services of the firm is maintained on a continuing basis, based on the customer's requirements.

Inventories not only separate processes, but also reduce risk of production shortages. For example, manufacturing firms frequently produce goods with hundreds or even thousands of components. If any of these components are not available on time, the entire production operation can be halted. This would mean a heavy loss to the firm. To avoid starting a production run and then discovering the shortage of a vital raw material or other component, firms maintain inventories.

The goal of effective inventory management is to minimise the total costs – direct and indirect – that are associated with holding these assets. However, the importance of inventory management to the company depends upon the extent of investment in inventory. As the value of the inventory goes up, the criticality of

the function in Inventory Management enables an organisation to meet or exceed customers' expectations of product availability while maximising net profits or minimising costs.

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2.1 UNIT OBJECTIVES

After going through this unit, you will be able to:

- Describe merchandise assortment
- Identify the quality and price ranges
- Explain the concept of procurement efficiency
- State the techniques of inventory management
- Describe FSN analysis.

2.2 WIDE MERCHANDISE ASSORTMENT

An assortment is a retailer's selection of merchandise. It includes both the depth and breadth of products carried. Retailers have to select the combination of assortments from various categories. The assortments must include substitutable items of multiple brands and price points. They should be distinguished on account of physical dimensions and attributes e.g., colour or flavour. The small retailer takes assortment decision on the basis of his experience; on the other hand retailers from organized retailing depend on a detailed study of past trends and future projections.

Retailers need to consider certain factors while devising assortment plans for their stores: profitability associated with particular merchandise mix, store image, layout and the level of compatibility between the existing merchandise. For example, FoodWorld, a leading food supermarket positioned as a one-stop shopping centre, deals in multiple product categories along with all possible variants of brands, stock keeping units, and physical attributes in order to meet the expectations of their consumers and survive in the business. Whereas, Subhiksha, a grocery chain in south India has impressive assortments of only the fast moving brands rather than all available variants in the market. Their assortment plan is governed by location, size and store image of their stores.

Costco goes for variety, or does it?

The Costco experience is often described as a treasure hunt. Products can include everything from blue jeans, air conditioners, and computer games one day to books, children's toys, and diamond rings the next, plus a huge selection of food products. Costco keeps customers on their toes by offering a wide variety of merchandise that changes from day-to-day. This is the place where individual

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and business customers pay $45 to $100 per year for a membership to buy 24 rolls of toilet paper or none at all. This is where laundry detergent and Italian olive oil come in extra-large sizes and where a 1000-piece lot of Ralph Lauren golf jackets, selling at 75 percent below retail, will vanish in an afternoon. In Costco's 1.5-hectare stores you can also visit the meat counter with its onsite butchers, order a cake from the bakery, or pick up a prescription and talk to the resident pharmacist to receive health advice.

All of these disparate categories provide an illusion of expansive variety. A Walmart Supercentre carries as many as 125 000 items; a grocery store will stock approximately 40,000. Not so at Costco, where you will find just 3800 to 4000 carefully chosen products. This makes it easier for the company to manage inventory and to monitor prices obsessively. Three-quarters of the merchandise is basic stock, such as canned tuna and paper towels; the other items are discretionary, often with high-end brands such as Godiva chocolates and Waterford crystal. The stores' periphery offers a variety of services, including film development, an optical centre, a pharmacy, and a tire shop.

Costco's successful strategy is planned so that a pallet of product must bring in a specific amount of cash or it is out; it is about volume per item, operating with a margin of about 8 percent, and how to increase the volume per item. Traditional category management does not apply to Costco; for example, because Costco sells computer printers does not mean that it will sell printer paper. Unusual product juxtapositions, such as face creams next to crackers, are all part of a selling formula that homes in on the middle-class tastes for cross- shopping and impulse purchases.

The typical Costco customer is 35 to 55 years old and earns on average $100,000 in family incomes, about double the income of most Canadians. Costco's Canadian customers number about 3.5 million households, with up to 35 percent of its business in grocery. There are 60 Canadian Costco stores, whose average size is 15,248 sq. metres, with sales figures averaging about $118 million per store. Growth continues internationally with 504 stores worldwide that have outpaced the sales of Sam's Club (which has 579 stores). Internationally, Costco has extremely low operating expenses, pegged at 8.74 percent of sales, and an enviable shrink that is almost non-existent. It is extreme attention to detail that has made Costco a retail success story.

Sources: *Julia Drake, "Welcome to the Big Time: Big Stores, Big Products, Big Savings, Big Profits: They're All Part of the Costco Experience," Canadian Grocer, May 2001; and Ann Zimmerman, "Costco Goes for Variety, or Does It?" Retailing, McGraw-Hill Ryerson.*

2.3 QUALITY AND PRICE RANGES

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There are generally two types of psychological impacts noticed on the customers. The first impact is that of price-quality association and the second one is that of prestige pricing. As per the implications of price-quality association generally it is observed that consumers associate high price with high quality and vice-a-versa. This association is stronger when the consumers find it difficult to make a difference in terms of product quality among the range of products available in a store or among the competing stores. The right example for such a situation is say for sarees made from different silk varieties like *Kanjivaram*, Bangalore silk, Assamese silk, *Patola*, *Maheshwari*, etc. Each one is a silk variety but it is difficult for consumers to decipher which one is more superior.

Retailer needs to put a price to goods or services it desires to sell to consumers. The pricing of the goods or service determines whether the retailer is able to make profit after covering all the cost elements, but while doing so it cannot forget that the consumers to whom its goods or services are sold feel satisfied. While finalizing its pricing strategy the retailer needs to ensure that it is in tune with its image or positioning; and must be consistent with its sales, profit, and return on investment goals. A big key to successful retailing is to provide a really good value to consumers – whether the consumer has bought the merchandise from a discount store or an average retailer or a prestigious store.

Price is the only element in the marketing mix that produces revenue; all other elements represent costs. Price is also one of the most flexible elements of the marketing mix. Unlike product features and channel commitments, price can be changed quickly. At the same time, pricing and price competition is the number one problem facing many marketing executives. Yet, many companies do not handle pricing well.

2.3.1 Factors Affecting the Pricing

A company's pricing decisions are affected by both internal and external environmental factors.

Internal Factors Affecting Pricing Decisions

Internal factors affecting pricing include the company's marketing objectives, marketing strategy, costs and organizational considerations.

1. Marketing Objectives

Before setting a price, the company must decide on its strategy for the product. If the company has selected its target market and positioning carefully, then its marketing mix strategy, including price, will be fairly straightforward. For example, when Honda and Toyota decided to develop their Acura and Lexus brands to compete

with European luxury-performance cars in the higher income segment, this required charging a high price. Pricing strategy, thus, are largely determined by decisions on market positioning.

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At the same time, the company may seek additional objectives. Common objectives include survival, current profit maximization, market share leadership, and product quality leadership. Companies set survival as their major objectives if they are troubled by too much capacity, heavy competition, or changing consumer wants. To keep a plant going, a company may set a low price, hoping to increase demand. In the long run, however, the firm must learn how to add value that consumers will pay for or face extinction.

Many companies use current profit maximization as their pricing goal. They estimate demand and costs will be at different prices and choose the price that will produce the maximum current profit, cash flow, or return on investment. Other companies want to obtain market share leadership. To become the market share leader, these firms set prices as low as possible.

A company might decide that it wants to achieve product quality leadership. This normally calls for charging a high price to cover higher performance quality and high cost of R&D. For example, Caterpillar charges 20 percent to 30 percent more than competitors for its heavy construction equipment based on superior product and service.

A company might also use price to attain other, more specific objectives. It can set prices low to prevent competitors from entering the market or set prices at competitors' level to stabilize the market. Prices can be set to keep the loyalty and support of resellers or to avoid government intervention. Prices can be reduced temporarily to create excitement for a product or to draw more customers into retail store. One product may be priced to help the sales of other products in the company's line. Thus, pricing may play an important role in helping to accomplish the company's objectives at many levels.

Not-for-profit and public organizations may adopt a number of other pricing objectives. A university aims for partial cost recovery, knowing that it must rely on private gifts and public grants, to cover the remaining costs. A not-for-profit hospital may aim for full cost recovery in its pricing. A not-for-profit theatre company may price its production to fill the maximum number of theatre seats. A social service agency may set a social pricing geared to the varying income situations of different clients.

2. Marketing Mix Strategy

Price is only one of the marketing mix tools that a company uses to achieve its marketing objectives. Price decisions must be coordinated with product design, distribution, and promotion decisions to form a consistent and effective marketing program. Decisions made for other marketing mix variables may affect pricing decisions. For example, producers using many resellers who are expected to support

and promote their products may have to build larger reseller margins into their prices. The decision to position the product on high-performance quality will mean that the seller must charge a higher price to cover higher cost.

3. Costs

Costs set the floor for the price that the company can charge. The company wants to charge a price that both covers all its cost for producing, distributing, and selling the product and delivers a fair rate of return for its effort and risk. A company's costs may be an important element in its pricing strategy. Many companies, such as Southwest Airlines, Wal-Mart, and Union Carbide, work to become the "low-cost producers" in their industries. Companies with lower costs can set lower price that result in greater sales and profits.

4. Organizational Considerations

Management must decide who within the organization should set prices. Companies handle pricing in a variety of ways. In small companies, prices are often set by top management rather than by the marketing or sales departments. In large companies, price is typically handled by divisional or product line managers. In industrial markets, salespeople may be allowed to negotiate with customers with certain price ranges. Even so, top management sets the pricing objective and policies, and often approves the prices proposed by lower-level-management or salespeople.

In industries in which pricing is a key factor (aerospace, steel, railroad, oil companies), companies often have a pricing departments to set the best prices or help others in setting them. This department reports to the marketing department or top management. Others who have an influence on pricing include sales manager, production managers, fiancé managers and accountants.

External Factors Affecting Pricing Decisions:

External factors that affect pricing decisions include the nature of market and demand, competition, and other environmental factors.

1. The Market and Demand

The seller's freedom varies with different types of markets. Economists recognize four types of markets, each presenting a different pricing challenge.

- Under pure competition, the market consists of many buyers and sellers trading in a uniform commodity such as wheat, copper of financial securities. No single buyer or seller has much effect on the going market price. A seller cannot charge more than the going price, because buyers can obtain as much as they need at the going price.
- Under monopolistic competition, the market consists of many buyers and sellers who trade over a range of prices rather than a single market price. A range of prices occurs because sellers can differentiate their offers to buyers. Either the

physical product can be varied in quality, features, or style or the accompanying services can be varied. Buyers see differences in sellers' products and will pay different prices for them.

- Under oligopolistic competition, the market consists of a few sellers who are highly sensitive to each other's pricing and marketing strategies. The product can be uniform (steel, aluminum) or non-uniform (computers, cars). There are few sellers because it is difficult for new sellers to enter the market. Each seller is alert to competitors' strategies and moves. If a steel company slashes its price by 10 percent, buyers will quickly switch to this supplier.
- In a pure monopoly, the market consists of one seller. The seller may be a government monopoly (the US postal service), a private regulated monopoly (a power company), or a private non-regulated monopoly. Pricing is handled differently in each case. A government monopoly can pursue a variety of pricing objectives.
- In a regulated monopoly, the government permits the company to set rates that will yield a "fair return", one that will let the company maintain and expand its competitors as needed. Non-regulated monopolies are free to price at what the market will bear. However, they do not always charge the full price for a number of reasons; a desire to attract competition, a desire to penetrate the marker faster with a low price, or a fear of government regulation.

2. Consumer Perception of Price and Value

In the end, the consumer will decide whether a product's price is right. Pricing decisions, like other marketing mix decisions, must be buyer-oriented. When consumers buy a product, they exchange something of value (the price) to get something of value (the benefits of having or using the product). Effective, buyer-oriented pricing involves understanding how much value consumers place on the benefits they receive from the product and setting a price that fits this value.

3. Competitors' Costs, Prices, and Offers

Another external factor affecting the company's pricing decisions is competitors' cost and prices and possible competitor reactions to the company's own pricing moves. A consumer who is considering the purchase of a Canon camera will evaluate Canon's price and value against the prices and values of comparable products made by Nikon, Minolta, Pentax, and others. If canon follows a high-price, high-margin strategy, it may attract competition. A low-price, low-margin strategy, however, may stop competitors or drive them out of the market.

Canon needs to benchmark its costs against its competitors' costs to learn whether it is operating at a cost advantage or disadvantage. It also needs to learn the price and quality of each competitor's offer. Once canon is aware of competitors' price and offers, it can use them as starting point for its pricing. If Canon's cameras

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are similar to Nikon's, it will have to price close to Nikon or lose sales. If Canon's cameras are not as good as Nikon's, the firm will not be able to charge as much. If Canon's products are better than Nikon's, it can charge more. Basically, Canon will use price to position its offer to the competition.

4. Other External Factors

When setting prices, the company also must consider other factors in its external environment. Economic conditions can have a strong impact on the firm's pricing strategies. Economic factors such as boom or recession, inflation, and interest rates affect pricing decisions because they affect both the cost of producing a product and consumer perception of the product's price and value. The company must also consider what impact its prices will have on other parties in its environment. How will the reseller react to various prices? The company should set prices that give resellers a fair profit, encourage their support, and help them to sell the product effectively. The government is another important external influence on pricing decisions. Finally, social concerns may have to be taken into account. In setting prices, a company's short-term sales, market share, and profit goals may have to be tempered by broader social considerations.

2.3.2 Implementation of Price Strategy

Berman and Evans (10th edn., 2008) have identified the following pricing strategies as part of the implementation of price strategies: Customary and Variable Pricing; One-Price and Flexible Pricing; Odd Pricing; Leader Pricing; Multiple-Unit Pricing; and Price Lining.

1. Customary and Variable Pricing

Under the customary pricing the retailer sets the prices for its merchandise and maintains them at the same level for a long period. The most common examples of customary pricing are prices of daily newspapers as well as of popular magazines, also for chocolates and candies, weighing machines at railway stations, fast-foods, prices at certain restaurants, etc. The retailers of these items have a regular and large following of customers and generally do not want them to feel disturbed with frequent changes in prices of the goods and services provided by them. Berman and Evans (10th edn., 2008) have mentioned Every Day Low Pricing (EDLP) as a version of customary pricing.

Under EDLP retailer tries to sell merchandise at the best possible robust prices to consumer on everyday basis. The retailer uses the usual trade discounts or rebates it receives on its purchases from vendors for passing on to customers as and when it is possible to do so. The retailer saves on advertising of special price offers and promotional expenses, besides relabeling of prices whenever special offers are made to customers. Wal-Mart and IKEA are the well-known international retail chains that operate on EDLP.

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2. One-Price and Flexible Pricing Policy

Under one-price policy the retailer charges the same price to all customers who buy the item under similar condition. In this type of retail stores bargaining is not permitted. Many retailers follow this price policy as it reduces the need to have skilled sales personnel, shopping becomes easier, and do not put customers under any negotiation stress. Under flexible pricing consumers can do bargaining and may obtain the best bargained price. Generally this kind of pricing strategy is used by street shops selling clothing, textiles and footwear in almost all cities in India. Stores following this strategy needs to set initial prices at higher levels and should have highly skilled sales personnel. The store on an average could make good profit depending on the skills of its sales person as well as the negotiating ability and prior knowledge of the customers.

3. Odd Pricing

In this kind of pricing the retailer does not charge the full even price but may charge either a rupee less or five rupees less depending on the kind and level of prices. For example, Bata the well-known retailer is known to charge ₹ 199 or ₹ 149 for a pair of *chappals* or shoes costing ₹ 200 and ₹ 150 respectively. Similarly some retailers selling high value items may charge ₹ 995 instead of ₹ 1000 in order to break the psychological price barriers in the minds of consumers, who may be looking for a price below ₹ 1000.

4. Leader Pricing

In leader pricing a retailer in order to attract shoppers to its store may advertise prices of certain regularly bought items at less than the market prices, so as to provide customers a good bargain. In the bargain the retailer hopes to sell other items too which are priced at regular market prices. This is done either by selling goods at lower than their cost, which is called a loss leader pricing, or by selling goods above the cost but by charging lower mark-up. Leader pricing is most common among hyper stores like Big Bazaar, Spencer, D-mart, and Reliance Fresh etc. It is also used by fast food chain like McDonald's and home centers selling furniture.

5. Multiple Unit Pricings

Under multiple pricing the retailer offers a bundle of two packs or items instead of a single pack or item but offering a bundle of two at a discounted price. So instead of offering a single shirt for ₹ 400 it may offer a pack of three shirts at ₹ 1000. This way the retailer induces the customer to buy more quantities as well as spend more amounts on purchases. The retailer is also able to off-load its inventory of slow moving items as well as out of season merchandise.

Check Your Progress

1. Define inventory management.
2. What do you mean by assortment?
3. State the meaning of one-time policy.
4. What do you mean by price adjustment?

6. Price Lining

Under the price line strategy retailer identifies different prices for a category and then decides on few price points to cover different prices. For example, if a price for plain T-shirts ranges from ₹ 300 to ₹ 1000 then the retailer may decide few price points at ₹ 300, ₹ 400, ₹ 500, ₹ 700, ₹ 800, ₹ 900, and ₹ 1000; instead of offering all kinds of prices like ₹ 300 ₹ 320, ₹ 350, ₹ 360, ₹ 375, ₹ 390, ₹ 400, and so on, and creating confusion in the mind of the consumer about the product differences and quality. With fewer price points in a single category of product the consumer is able to easily relate price with quality and make a quick purchase decision. Retailer by fixing few price points for each of the product category or product line is able to limit its inventory and able to improve the stock turnover ratios. While setting price points retailer must take care that there are no big gaps between two price points. Retailer must also ensure that price lines are properly set in relation with complementary and co-ordinated items. For example a lady buying skirt at price of ₹ 1000 may be looking for a top in the price range of ₹ 500 to ₹ 600.

7. Price Adjustments

Price adjustments are nothing but markdown and additional mark-up mechanisms used by retailers to meet market challenges such as sales trends, seasonality of demand, competitive responses, inventory levels, input costs, procurement costs, government taxes, operational overheads and so on. You have already covered use of markdowns and additional mark-ups as tools to vary selling prices to adjust with market challenges and retailer's strategic response, in the course material "Buying and Merchandising – II".

2.4 PROCUREMENT EFFICIENCY

A procurement policy is simply the rules and regulations that are set in place to govern the process of acquiring goods and services needed by an organization to function efficiently. The exact process will seek to minimize expenses associated with the purchase of those goods and services by using such strategies as volume purchasing, the establishment of a set roster of vendors, and establishing reorder protocols that help to keep inventories low without jeopardizing the function of the operation. Both small and large companies as well as non-profit organizations routinely make use of some sort of procurement policy.

There is no one right way to establish a procurement policy. Factors such as the size of the business, the availability of vendors to supply necessary goods and services, and the cash flow and credit of the company will often influence the purchasing procurement approach. The size of the company is also likely to make a difference in the formation of procurement policy, in that a small company may not be able to command the volume purchase discounts that a large corporation can manage with relative ease.

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In like manner, the circumstances and financial goals of the business or entity influence the selection of procurement systems. Some systems are simple manual processes that make use of older methods such as a flip card system to track purchases, issuance of items to various departments, and a running tally of inventory that is used to plan future purchases. Today, electronic systems make it possible to automatically track all these functions, include automatically generating requisitions and purchase orders when levels of a given inventory item are down to a certain level.

E-procurement is a common way of placing and tracking orders today. Vendors establish network connections with clients that make it possible to interline with any procurement programs used by the client and automatically place orders, using the Internet to establish the connection. Programs of this type also make it possible to quickly track order fulfillment, delivery dates, and even review any procurement contracts that are currently in place.

Whether the procurement policy involves the establishment of construction procurement procedures, or governs purchases made by a manufacturer or a charity, a solid policy will benefit the organization by keeping costs in line and clearly defining how purchases will be made. As the needs of the entity change, there is a good chance that the procurement policy will be adjusted to meet those new circumstances. This is necessary to make sure the policy continues to function in the best interests of the company or non-profit organization and keep the acquisition process simple and orderly.

Case Study: Supply Chain Management of Walmart

The world's largest retailer Walmart was founded by Sam Walton in the year 1962. He opened his first store in Rogers, Ark. On 31st October 1969, the company was incorporated as Wal-Mart Stores. Key success factor was the guidance of Sam. Presently they are operating in fifteen countries with more than 8,000 stores with 2.1 million employees (2009). Major features of Wal-Mart stores are its store area, cleanliness and its shelves which is filled with varieties of quality items that includes health care products, family apparels, electronic items, automotive products, hardware items, jewellery etc.

Walmart is giving more emphasis to customer needs and tried to reduce cost through the effective usage of supply chain management system. In the year 2009, Fortune Magazine ranked Walmart as first among other retailers in its survey. Sales were about 401 billion U.S dollars in the FY 2009. Sam Walton claims that Walmart's vision had always been to increase sales through lowering the costs through organized distribution system with the help of the Information Technology. It is said that Walmart's extreme success could be attributed to its effective supply chain management.

Walmart's efficiency in supply chain management was due to two key factors namely automated distribution center and the computerized inventory

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system. This brought in minimizing a lot of time. The latter not only reduced the checking out time but also recorded the transaction which is much needed to envisage demand. Demand forecast is a constant issue which could be a threat when not handled properly. This is due to the fact that demand prediction is always inaccurate. Aggregation would be a remedy for this unpredictable demand.

Walmart's focus has always been to sell goods at a lower price to the customers. They ensured direct purchase form the companies bypassing the intermediaries. This bypassing is one of the ways to reduce cost. Walmart preferred small vendors to the big players. However, the vendor who provides the best price qualifies and gets the deal. This applies to the giants like P& G as well. Their practice these days had been choosing few vendors and they literally negotiate the best price. The one that comes up with the best price qualifies. This does not blindly mean that they have been ruthless. Walmart also works with the vendors for improving its supply chain efficiency.

Walmart with its power distribution system made quite innovative changes like reducing paper work, reduced its lead time drastically, used bar codes to bill which recorded inventory levels and the access to the stock levels served as the valuable data for management. The movements of products are systematic and strategically aligned in a way that it reduces the most valuable time and cost and results in efficiency. Walmart had a very effective rather responsive and flexible distribution system to transport goods from docks to stores. It educated the drives with the ethics and code of conduct which pictures their supply chain responsibility. Cross docking is one lethal weapon that was used by Walmart in their SCM.

Cross Docking: Cross Docking is a method of handling goods. This happens when vendor and the company work together. This is the method of supplying the product in the right time and the said quantity. This cut down a lot of time. This also changed Walmart's way of looking at things. This transitioned Walmart from being a centralized management to almost a decentralized system and took a major turn in focus of pull strategy than a pull strategy.

Cross-docking is one of the techniques used by Walmart. It means there is no unnecessary storage or little storage in between the loading and unloading of goods so that a customer can enjoy the quality of the goods by first hand. Walmart have logistics infrastructure which is very fast transportation system wherein the distribution centers are being serviced. Walmart assured that their drivers are capable of doing their jobs accordingly and do not cause unnecessary delays that can hamper the efficiency of the distribution operations. To deliver it on time, the coordinators give information to the driver about the expected time of arrival or delivery of the goods.

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Point of Sale: Information sharing is one of the most important things when it comes to SCM. P&G with its Pampers requested Wal-Mart to share its point of sale so that it could predict its demand more or less and work on the information to bring in efficiency. When Wal-Mart shared this information P&G could plan in advance and it with its efficient supply chain management could supply pampers to Walmart on time.

Walmart did not want to dedicate lot of space to pamper in its warehouse of shop store either. Instead the supply was taken care by P& G. This led the initiation of working with the vendors and coming out with huge efficiency by maintaining lower inventory and satisfying demand without stock outs. Thus point of sale sharing would be a key element for any company for its further scope of improvement and also when there is further scope of improvement there is a role for supply chain management.

Source: *Scribd.com*

2.5 TECHNIQUES OF INVENTORY MANAGEMENT TO ENSURE ECONOMY

The following are the key inventory management techniques:

2.5.1 EOQ

The economic order quantity (EOQ) is the replenishment order quantity that minimises the combined cost of inventory maintenance and ordering. Identification of such a quantity assumes that demand and costs are relatively stable throughout the year. Since an EOQ is calculated on an individual product basis, the basic formulation does not consider the impact of joint ordering of products. EOQ extensions are discussed later in this unit.

The most efficient method for calculating economic order quantity is mathematical. A policy dilemma regarding whether to order 100, 200, or 600 units arises in this situation. The answer can be found by calculating the applicable EOQ for the situation.

To make the appropriate calculations, the standard formulation for EOQ is

$$EOQ = \sqrt{\frac{2C_0D}{C_iU}}$$

Where, EOQ = Economic Order Quantity (EOQ)

C_0 = cost per order

C_i = annual inventory carrying cost per unit

D = annual sales volume, units

U = cost per unit

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Table 2.1: Factors for Determining EOQ

Annual Demand Volume	2,400 units
Unit Value at Cost	₹ 5
Inventory Carrying cost percentage	20% annually
Ordering Cost	₹ 19 per order

$$\text{Thus, EOQ} = \sqrt{\frac{2\times19\times2400}{0.20\times5}}$$
$$= \sqrt{91200}$$
$$= 302 \text{ (rounded of to 300)}$$

Total ordering cost would amount to ₹ 152 (2400/300 × ₹ 19) and maintenance cost ₹ 150 [300/2 × (5 × 0.20)]. Thus, after rounding to allow ordering in multiples of 100 units, annual reordering and maintenance costs have been equated.

To benefit from the most economical purchase arrangement, orders should be placed in the quantity of 300 units rather than 100, 200, or 600. Thus, over the year, eight orders would be placed, and average base inventory would be 150 units. An EOQ of 300 implies that additional inventory in the form of base stock has been introduced into the system. Average inventory has been increased from 100 to 150 units on hand.

While the EOQ model determines the optimal replenishment quantity, it does require some rather stringent assumptions that constrain its direct application. The major assumptions of the simple EOQ model are:

- Satisfaction of all demand
- Continuous, constant, and known rate of demand
- Constant and known replenishment performance-cycle time.
- Constant price of product that is independent of order quantity or time (i.e., no purchase quantity or transportation price discounts are available)
- Infinite planning horizon
- No interaction between multiple items of inventory
- No inventory in transit

No limit on capital availability. The constraints imposed by some of these assumptions can be overcome through computational extensions, as discussed next. However, the EOQ concept illustrates the importance of the trade-offs associated with holding and acquisition cost.

EOQ Extensions

While the EOQ formulation is relatively straight forward; there are some other factors that must be considered in actual application. The most persistent problems are

those related to various adjustments necessary to take advantage of special purchase situations and unitisation characteristics.

Three typical adjustments are volume transportation rates, quantity discounts, and other adjustments. These are discussed as follows:

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Volume Transportation Rates

In the EOQ formulation discussed previously, no consideration was given to the impact of transportation cost on order quantity. When products are purchased on a delivered basis and the seller pays transportation cost from origin to the inventory destination, such neglect may be justified. The seller is responsible for the shipment until it arrives at the customer's place of business. However, when product ownership is transferred at origin, the impact of transportation rates on total cost must be considered when determining order quantity.

As a general rule, the greater the weight of an order, the lower is the cost per pound of transportation from any origin to destination. A freight-rate discount for larger-size shipments is common for both truck and rail and is found in most transportation rate structures. Thus, all other things being equal, an enterprise naturally wants to purchase in quantities that maximise transportation economies. Such quantities may be larger than the purchase quantity determined using the EOQ method. Increasing order size has a twofold impact on inventory cost. Assume for purposes of illustration that the most desirable transportation rate is obtained when a quantity of 480 is ordered as compared to the EOQ-recommended order of 300 calculated earlier. The first impact of the larger order is to increase the average base inventory from 150 to 240 units. Thus, ordering in larger quantities increases inventory carrying cost.

The second impact is a decrease in the number of orders required. The decreased number of orders increases the shipment size, which provides better transportation economies.

To complete the analysis, it is necessary to formulate the total cost with and without transportation savings. While this calculation can be directly made by modification of the EOQ formulation, comparison provides a more insightful answer. The only additional data required are the applicable freight rates for ordering in quantities of 300 and 480. Table 2.2 given below provides the data necessary to complete the analysis.

Table 2.2: EOQ Data Requirement for Transportation

Annual Demand volume	2400 units
Unit Value at cost	₹ 5
Inventory carrying cost %age	20% annually

Ordering cost	₹ 19 per order
Small shipment rate	₹ 1.00 per unit
Large shipment rate	₹ 0.75 per unit

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The second impact is a decrease in the number of orders required. The decreased number of orders increases the shipment size, which provides better transportation economies.

To complete the analysis, it is necessary to formulate the total cost with and without transportation savings. While this calculation can be directly made by modification of the EOQ formulation, comparison provides a more insightful answer. The only additional data required are the applicable freight rates for ordering in quantities of 300 and 480. Table 2.3 provides the data necessary to complete the analysis.

Table 2.3 provides the analysis of total cost. Taking into consideration the potential transportation savings by purchasing in larger lot sizes, the total annual cost, by purchasing 480 units five times per year rather than the EOQ solution of 300 units eight times per year, results in approximately 570 savings.

The impact of volume transportation rates on total cost of procurement cannot be neglected. In the example above, the equivalent rate per unit dropped from ₹ 1 to ₹ 0.75, or by 25 percent. The cost-per-hundred weight range from minimum weight LTL to carload minimum weight may significantly exceed this 25 percent figure. Thus, any EOQ must be tested for transportation cost sensitivity across a range of weight breaks if transportation expenses are the buyer's responsibility.

A second point illustrated in the data of Table 2.3 is the fact that rather substantial changes in the size of an order and the number of orders placed per year resulted in only a modest change in the total cost of maintenance and ordering. The EOQ quantity of 300 had a total annual cost of ₹ 302, whereas the revised order quantity had a comparative cost of ₹ 335. EOQ formulations are much more sensitive to significant changes in order cycle or frequency. Likewise, substantial changes in cost factors are necessary to significantly affect the economic order quantity.

Table 2.3: Volume Transportation Rate Modified EOQ

	Alternative 1: $q_0 = 300$	Alternative 2: $q_0 = 480$
Inventory carrying cost	₹ 150	₹ 240
Ordering cost	152	95
Transportation Cost	2,400	1,800
Total Cost	₹ 2,702	₹ 2,135

Finally, two factors regarding inventory cost under conditions of origin purchase are noteworthy. (Origin purchase means that the buyer is responsible for freight cost and product risk when the product is in transit.) First, the buyer assumes full risk on inventory at time of shipment. Depending on time of required payment, this could mean that transit inventory is part of the enterprise's average inventory and therefore subjected to an appropriate charge. It follows that any change in weight break leading to a shipment method with a different in-transit time should be assessed as the added cost or savings as appropriate in a total-cost analysis.

Second, the transportation cost must be added to the purchase price to obtain an accurate assessment of the value of goods tied up in inventory. Once the inventory has been received, the amount invested in the product must be increased by the transportation expenses. Inventory carrying cost should then be assessed on the combined cost of the item plus transportation.

Quantity Discounts

Purchase quantity discounts represent an EOQ extension analogous to volume transportation rates. Table 2.4 illustrates a sample schedule of discounts.

Table 2.4: Quantity Discounts

Cost ₹	Quantity Purchased
5.00	1–99
4.50	100–200
4.00	201–300
3.50	301–400
3.00	401–500

Quantity discounts can be handled directly with the basic EOQ formulation by calculating total cost at any given volume-related purchase price to determine associated EOQs. If the discount at any associated quantity is sufficient to offset the added cost of maintenance less the reduced cost of ordering, then the quantity discount offers a viable alternative. It should be noted that quantity discounts and volume transportation rates each affect larger purchase quantities. This does not necessarily mean that the lowest total-cost purchase will always be a larger quantity than would otherwise be the case under basic EOQ.

Other EOQ Adjustments

A variety of special situations may occur that will require adjustments to the basic EOQ. Examples are: (1) production lot size, (2) multiple item purchase, (3) limited capital, and (4) private trucking. Production lot size refers to the most economical quantities from a manufacturing perspective. Multiple item purchase describes situations when more than one product is bought concurrently, so that quantity and

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transportation discounts must consider the impact of product combinations. Limited capital refers to situations with budget limitations for total inventory investment. Since the product line must be satisfied within the budget limitations, order quantities must recognise the need to allocate the inventory investment across the product line. Private trucking influences order quantity since it represents a fixed cost once the decision is made to replenish product. If it is decided to use a private fleet to transport replenishment product, the enterprise should fill the truck regardless of the EOQ. It does not make sense to transport a half-empty truck simply so that the order quantity represents the EOQ.

Another consideration when establishing the order quantity is the unitization characteristic. Many products are stored and moved in standard units such as cases or pallets. Since these standardized units are designed to fit transportation or handling vehicles, there may be significant diseconomies when the EOQ is not a unit multiple. As an example, suppose that a pallet can hold 200 units of a specified product. Using an EOQ of 300 units would imply shipments of 1.5 pallets. From a handling or transportation utilization perspective, it is probably more effective to order one or two pallets either alternatively or permanently. Standard unit multiples should be considered when determining EOQ.

2.5.2 Periodic Management Techniques

For periodic inventory management techniques, companies will count and adjust inventory on a quarterly basis at a minimum. During the off months in the quarter, company accountants will simply make dollar adjustments in the accounting ledger. These adjustments take the beginning inventory balance, add monthly purchases, subtract monthly sales, and add or subtract adjustments to create a dollar figure for reporting. At the end of the quarter, the company will conduct a physical inventory count and reconcile the physical inventory to the number in the accounting ledger. These types of inventory management techniques are often less work, but also are less reliable. Companies may also experience higher adjustments relating to spoiled, lost, stolen or damaged goods.

2.5.3 Perpetual Inventory Management Techniques

Perpetual inventory management techniques require more work, but are also more reliable. A computerized program will adjust the company's main inventory account for any movement during each month. Rather than counting physical inventory on a quarterly basis, companies using perpetual inventory management techniques can relegate this burdensome task to an annual project. To maintain compliance with government inventory requirements, companies may need to conduct weekly cycle counts to prove they are not reporting inaccurate inventory amounts. Many local and state governments impose a tax on unsold inventory; this requires the company to have an accurate technique in place to avoid paying too much taxes.

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2.5.4 ABC Analysis

ABC classification, or the alphabetical approach, is based on the annual consumption value. Typically, only 20 percent of all the items account for 70 to 80 percent of the total rupee usage, while the remaining 80 percent of the items, typically account for remaining 20 to 30 percent of the rupee value. The ABC classification is based on focusing efforts where the payoff is highest; i.e. high-value, high-usage items must be tracked carefully and continuously. As these items constitute only 20 percent, the ABC analysis makes the task relatively easier.

After calculating the rupee usage for each inventory item, the items are ranked by rupee usage, from highest to lowest. The first 20 percent of the items are assigned to class 'A'. These are the items that warrant closest control and monitoring through a perpetual inventory system.

One of the major costs of inventory is annual carrying costs, and your money is invested largely in class 'A'. Tight control, sound operating doctrine, and attention to security on these items would allow you to control a large rupee volume with a reasonable amount of time and effort.

The next 30 percent of the items are classified as 'B' items. These deserve less attention than 'A' items. Finally, the last 50 percent of items are 'C' items. These have the lowest rupee usage and can be monitored loosely, with larger safety stocks maintained to avoid stock-outs. They should have carefully established but routine controls.

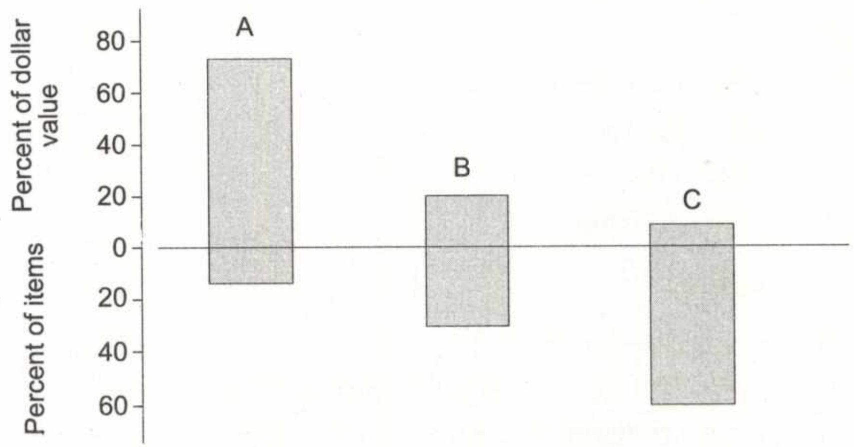

Fig. 2.1: ABC Analysis

This classification is commonly used by companies, as very often they need not keep extremely accurate track of all inventory items. Through performing 80/20 analysis, many companies are optimizing their investment in inventory, and production, procurement and distribution assets. These companies are able to analyze their inventory network as well as policies and able to add inventory where there are opportunities for winning additional market share and reduce inventory where they are not needed. They do not trim inventories across the board to reduce cost.

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Through this approach, organizations are able to increase their overall customer service levels while simultaneously reducing their total inventory carrying costs. Thus these companies are able to improve other key metrics like customer retention, gross margin and inventory turns.

The importance of each item is determined while procuring and storing it to improve the purchase efficiency. The fundamental idea behind selective control techniques is to put the efforts where the results are worth it. Even if an organization uses millions of items, only a few items become important - from the finance view, availability considerations, seasonality, criticality of performance, etc. The materials are classified according to their importance and increased attention is paid to the items that are more important. For instance, high-value, high-usage items must be tracked carefully and continuously but certain parts with a relatively low value or infrequent use can be monitored loosely.

The ABC Analysis is also a guide to physical count of items of inventory. Counts are conducted depending on the importance of inventory items. 'A' items are counted frequently, 'B' items less frequently and 'C' items are counted the least frequently. Accuracy of the count also depends on the classification. APICS recommends ± 0.2 percent for 'A' items, ± 1 percent fcr 'B' items and ± 5 percent for 'C' items.

However, ABC analysis should be used prudently. It cannot always be applied across the board. Some categories of items where the application of ABC analysis is fraught with high risk are identified below:

Difficult Procurement Items

- Short Shelf Life
- Large Storage Space Requirements
- Item's Operational Criticality
- Likelihood of Theft
- Difficult Forecast Items

2.5.5 XYZ Analysis

This classification is based on the stock value of the items. Items having a very high stock value are classified as 'X'. Items with least stock value are classified as "Z".

The method of arriving at the classification is the same as for ABC classification described above. Only, instead of taking the annual consumption value into account, the annual stock value for each item should be taken into account. The rest of the procedure is the same.

The value of each item is expressed as a percentage of the total. By going down the list and successively cumulating the individual percentages for each item, one can determine which items make up the first 70% of inventory stock value, the next 20% and the balance 10%. The groups are called X, Y and Z respectively and the items within the group are called the X, Y or Z item.

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2.5.6 PQR Classification

Besides value and criticality of the items, another commonly-used method to classify items is based on the shelf life of the item. Shelf life is defined as the useful life of an item that is the time period within which the item can display the complete characteristics, for which it is meant. Items having a low shelf life and thus requiring frequent attention are classified as "P". Items having the longest shelf life and thus requiring the least attention are classified as "R. All the other items which are not P or R fall within "Q". The time period in which to define P, Q and R varies from industry to industry. This classification is more relevant in industries producing perishable goods such as confectionaries etc.

2.5.7 SDE Classification

This classification is based on the ease of obtaining an item. S stands for Scarce – such items are not easily available in the market and might require source development or else it might be an item which is difficult to manufacture or there are only one or two known manufacturers who have to be given orders several months in advance and so on. All these require special efforts for procurement. D stands for Difficult to obtain and E for Easy to obtain. An item, which is 'A' as well as 'S' needs completely different methods for inventory management.

2.5.8 GOLF Classification

This classification is based on the nature of the source for an item. G stands for "Government", O for Open market, L for Local and F for foreign sources of supply. Items which are canalized through the State Trading Corporations, Minerals and Metals Trading Corporation, etc. come under the G category. They require special procedures for procurement and as such common procedures for Inventory management may not be fully applicable for them. The transactions require more paperwork and lead times are longer. For 'O' items, there are a number of suppliers. Quality and availability is good. Most big organizations depend on the local market only for emergency supplies and low value procurement. For 'F' the source of supply is abroad; this involves considerable paperwork and lead time is high.

2.5.9 SOS Classification

This classification is based on the nature of the time of availability for an item. S stands for Seasonal and OS for Off-Seasonal. This is more relevant in case of items which are derived from nature – such as jute, cotton, etc. which are available more during their harvest time and less available during the monsoons when it rains. They require separate purchasing and stocking strategies. The inventory management system will have to balance out between the stocking cost and lower prices at which it will be available. 'OS' items are ordinary items which are not seasonal and can be subject to any other classification for selective control.

2.5.10 HML Classification

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This classification is based on the unit price of material. H stands for High, i.e. high price per unit of the item, M stands for Medium and L for Low unit price of the item. This classification is particularly relevant when it comes to deciding the procedure to be followed for procurement.

2.6 KEEPING TRACK OF 'FAST', 'SLOW' AND 'NO' (FSN) MOVING ITEMS

Items can also be classified as fast moving, slow moving or non-moving based on their pattern of issue from the Stores. This denotes how soon a material is consumed after it has been purchased and taken into stock. This classification helps in controlling obsolescence.

- Items that are very fast moving and are used once in every week or say, every month are classified as "F".
- Items which are not consumed even once in say two or three years are classified as Non-moving—"N". Keeping too many non-moving items in the inventory is dangerous. They block useful working capital and eat into the profitability of the company. Attention needs to be paid to them to declare them as surplus or obsolete and find alternate uses of the material or else dispose them off, so that it leads to money realization as well as space saving.
- All items which are neither "Fast" nor "Non-moving" are termed as "Slow-moving" items.

This classification is again of great importance to companies who need to keep a check on where their money is spent.

There following steps in doing the FSN analysis:

Calculation of average stay and the consumption rate of the material in warehouse

- FSN Classification of materials based on average stay in the inventory
- FSN Classification of the material based on consumption rate
- Finally classifying based on above FSN analysis.

Process

Let's take 10 materials for analysis. Following is the analysis of SKU01. Period of analysis is 15 days. Calculation of consumption rate and average stay of the material in the inventory; Opening Balance: 50.

Date	Receipt Qty.	Return Qty.	Adjustment Qty.	Issue Qty.	Closing Balance	Inv. Holding days
1/1/97	10	0	0	0	60	60
2/1/97	15	7	0	15	67	127
3/1/97	0	0	0	0	67	194
4/1/97	0	0	0	0	67	261
5/1/97	0	0	5(+)	0	72	333
6/1/97	20	0	0	12	92	425
7/1/97	0	0	0	12	80	505
8/1/97	0	4	0	0	84	589
9/1/97	0	0	0	0	84	673
10/1/97	10	0	0	7	87	760
11/1/97	0	0	0	0	87	847
12/1/97	0	0	0	12	75	922
13/1/97	0	0	0	0	75	997
14/1/97	10	0	3(–)	0	82	1079
15/1/97	0	0	0	0	82	1161
Total	65	11	2(+)	46	-	-

NOTES

Average stay of the material = Cumulative No of Inventory Holding Days/(Total quantity received + Opening Balance) = 1161/115 = 10.09 Days

Consumption Rate = Total Issue Qty/Total Period Duration = 46/15 = 3.06 Nos/Day

Now list down the materials with average stay and consumption rate

Item code	Average Stay	Consumption Rate
1	10.09	3.06
2	7.5	5.2
3	8.23	4.71
4	4.2	2
5	6	5.1
6	12	5.76
7	8	3.98
8	9.11	4.48
9	11.2	5.23
10	7.21	4

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Now carry out the FSN analysis on the basis of Average Stay only as below in MS Excel as below by sorting down in descending order of Average stay. Every company has its policy for defining FSN. Here FSN has been taken as F--10%, S-20%, and N-70%

Item code	Average Stay	Cum. Average Stay	% Average Stay	FSN Classification
6	12	12	14.36	N
9	11.2	23.2	27.77	N
1	10.09	33.29	39.85	N
8	9.11	42.4	50.75	N
3	8.23	50.63	60.61	N
2	7.5	66.13	79.16	S
10	7.21	73.34	87.79	S
5	6	79.34	94.97	F
4	4.2	83.54	100	F

Now carry out the FSN classification only on the basis of consumption rate similarly as above

Item code	Consumption Rate	Cum. Consumption Rate	% Consumption Rate	FSN Classification
6	5.76	5.76	13.24	N
9	5.23	10.99	25.25	N
2	5.2	16.19	37.2	N
5	5.1	21.29	48.92	N
3	4.71	26	59.74	N
8	4.48	30.48	70	N
10	4	34.48	79.23	S
7	3.98	38.46	88.37	S
1	3.06	41.52	95.4	F
4	2	43.52	100	F

Now carry out final classification by combining both as under:

FSN (Consumption Rate)	FSN (Average Stay)	Final FSN Classification
F	F	F
F	S	F
F	N	S
S	F	S
S	S	S
N	F	S
N	S	N
N	N	N

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2.7 NOVELTY AND FIRST TO SHELF PRINCIPLES

Novelty and first to shelf principle states that the retailers always try to introduce more and more new products and wants to take the advantage of first seller of the product. New products are the lifeblood of retailing. They lure new shoppers into the store and entice existing customers to return. They are beacons of innovation, reflecting changing consumer tastes and signaling new trends. And they can be engines for sales growth since stores with effective new product strategies can satisfy both the expressed and latent needs of shoppers. Despite the importance of new products, retailers often lump them in with existing merchandise and rely on manufacturers' advertising and pro - motions to stimulate demand.

While many new items appear on store shelves, only a few — the genuinely new products — deliver novel and important benefits to their respective product

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categories. Retailers should showcase these innovations, using product placement, merchandising, and demonstrations to attract consumer attention and communicate their unique features. The focus should be on the excitement and rewards of using the new products rather than price. As these items become familiar, the marketing emphasis should shift to more recent product introductions.

Retailers can use new products to help, identify unmet consumer needs and gauge demand. New product ideas can originate from many sources; from customers and employees who understand local preferences, to retail buyers and vendors who monitor global trends in consumer tastes and technology. To help, manage the uncertainty and risk associated with carrying innovative products, retailers can ask shoppers to evaluate products shown in concept form, with a possible option to place an advance order. Alternatively, the store can display samples of merchandise available online. Retailers should listen closely to customer feedback on new products. Early sales data, repeat purchase behavior, and consumer comments can serve as a weathervane to help track the changing direction of consumer tastes. New products often appeal to a select group of buyers, so initial sales may be low; however results may improve if these buyers are opinion leaders or heavy users Retailers featured in 40 Of The World's Best Stores excel at delivering great news and great new products. Twice a year, Daslu presents the world's finest fashions to Brazilian women in intimate salons that are completely re - decorated to match the new merchandise. Carrefour Le Collégien highlights new products to French shoppers by placing items on mini-display fixtures recessed into the shelf, rather than on their traditional end-aisle merchandising vehicles. FNAC promotes new artistic talent, along with their merchandise, through thousands of in-store events each year. At Central Market, a Texas retailer passionate about food, in-store chefs offer mouth-watering samples made with seasonal ingredients, and then promote the fresh food used in their creations to shoppers.

Check Your Progress

Fill in the Blanks

5. A .... is simply the rules and regulations that are set in place to govern the process of acquiring goods and services needed by an organization to function efficiently.
6. The .... is the replenishment order quantity that minimises the combined cost of inventory maintenance and ordering.
7. .... represent an EOQ extension analogous to volume transportation rates.
8. .... management techniques require more work, but are also more reliable.

Case Study of Walmart: Inventory Management

Walmart had developed an ability to cater to the individual needs of its stores. Stores could choose from a number of delivery plans. For instance, there was an accelerated delivery system by which stores located within a certain distance of a geographical center could receive replenishment within a day. Walmart invested heavily in IT and communications systems to effectively track sales and merchandise inventories in stores across the country. With the rapid expansion of Wal-Mart stores in the US, it was essential to have a good communication system. Hence, Walmart set up its own satellite communication system in 1983. Explaining the benefits of the system Walton said, "I can walk in the satellite room, where our technicians sit in front of the computer screens talking on the phone to any stores that might be having a problem with the system, and just looking over their shoulders for a minute or two will tell me a lot about how a particular day is going. On the screen, I can see the total of the day's bank credit

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sales adding up as they occur. If we have something really important or urgent to communicate to the stores and distribution centers, I, or any other Walmart executive can walk back to our TV studio and get on that satellite transmission and get it right out there. I can also go every Saturday morning around three, look over these printouts and know precisely what kind of work we have had."

Walmart was able to reduce unproductive inventory by allowing stores to manage their own stocks, reducing pack sizes across many product categories, and timely price markdowns. Instead of cutting inventory across the board, Walmart made full use of its IT capabilities to make more inventories available in the case of items that customers wanted most, while reducing the overall inventory levels. Walmart also networked its suppliers through computers. The company entered into collaboration with P&G for maintaining the inventory in its stores and built an automated reordering system, which linked all computers between P&G and its stores and other distribution centers. The computer system at Walmart stores identified an item which was low in stock and sent a signal to P&G. The system then sent a re-supply order to the nearest P&G factory through a satellite communication system. P&G then delivered the item either to the Walmart distribution center or directly to the concerned stores. This collaboration between Walmart and P&G was a win-win proposition for both because Walmart could monitor its stock levels in the stores constantly and also identify the items that were moving fast. P&G could also lower its costs and pass on some of the savings to Walmart due to better coordination.

Employees at the stores had the 'Magic Wand,' a hand-held computer which was linked to in-store terminals through a radio frequency network. These helped them to keep track of the inventory in stores, deliveries and backup merchandise in stock at the distribution centers. The order management and store replenishment of goods were entirely executed with the help of computers through the Point-of-Sales (POS) system. Through this system, it was possible to monitor and track the sales and merchandise stock levels on the store shelves. Walmart also made use of the sophisticated algorithm system which enabled it to forecast the exact quantities of each item to be delivered, based on the inventories in each store. Since the data was accurate, even bulk items could be broken and supplied to the stores. Walmart also used a centralized inventory data system using which the personnel at the stores could find out the level of inventories and the location of each product at any given time. It also showed whether a product was being loaded in the distribution center or was in transit on a truck. Once the goods were unloaded at the store, the store was furnished with full stocks of inventories of a particular item and the inventory data system was immediately updated.

Walmart also made use of bar coding and radio frequency technology to manage its inventories. Using bar codes and fixed optical readers, the goods could be directed to the appropriate dock, from where they were loaded on to

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the trucks for shipment. Bar coding devices enabled efficient picking, receiving and proper inventory control of the appropriate goods. It also enabled easy order packing and physical counting of the inventories. In 1991, Walmart had invested approximately $4 billion to build a retail link system. More than 10,000 Walmart retail suppliers used the retail link system to monitor the sales of their goods at stores and replenish inventories. The details of daily transactions, which approximately amounted to more than 10 million per day, were processed through this integrated system and were furnished to every Wal-Mart store by 4 a.m., the next day. In October 2001, Walmart tied-up with Atlas Commerce for upgrading the system through the Internet-enabled technologies. Walmart owned the largest and most sophisticated computer system in the private sector. The company used Massively Parallel Processor (MPP) computer system to track the movement of goods and stock levels. All information related to sales and inventories was passed on through an advanced satellite communication system. To provide back-up in case of a major breakdown or service interruption, the company had an extensive contingency plan. By making effective use of computers in all its company's operations, Walmart was successful in providing uninterrupted service to its customers, suppliers, stockholders and trading partners.

About Walmart

Wal-Mart Stores, Inc. is the largest retailer in the world, the world's second-largest company and the nation's largest non-governmental employer. Wal-Mart Stores, Inc. operates retail stores in various retailing formats in all 50 states in the United States. The Company's mass merchandising operations serve its customers primarily through the operation of three segments. The Walmart Stores segment includes its discount stores, Supercenters, and Neighborhood Markets in the United States. The Sam's club segment includes the warehouse membership clubs in the United States. The Company's subsidiary, McLane Company, Inc. provides products and distribution services to retail industry and institutional foodservice customers. Walmart serves customers and members more than 200 million times per week at more than 8,416 retail units under 53 different banners in 15 countries. With fiscal year 2010 sales of $405 billion, Walmart employs more than 2.1 million associates worldwide. Nearly 75% of its stores are in the United States ("Walmart International Operations", 2004), but Walmart is expanding internationally. The Group is engaged in the operations of retail stores located in all 50 states of the United States, Argentina, Brazil, Canada, Japan, Puerto Rico and the United Kingdom, Central America, Chile, Mexico,India and China.

Source: *Docstoc.com*

2.8 SUMMARY

NOTES

- Inventory Management involves the control of current assets being procured or produced in the normal course of the company's operations i.e. or "how many" parts, pieces, components, raw material and finished goods the firm should hold and when should it replenish the stock.
- The assortments must include substitutable items of multiple brands and price points. They should be distinguished on account of physical dimensions and attributes e.g., colour or flavour.
- Price is the only element in the marketing mix that produces revenue; all other elements represent costs. Price is also one of the most flexible elements of the marketing mix.
- A procurement policy is simply the rules and regulations that are set in place to govern the process of acquiring goods and services needed by an organization to function efficiently.
- The economic order quantity (EOQ) is the replenishment order quantity that minimises the combined cost of inventory maintenance and ordering. Identification of such a quantity assumes that demand and costs are relatively stable throughout the year.
- For periodic inventory management techniques, companies will count and adjust inventory on a quarterly basis at a minimum.
- Perpetual inventory management techniques require more work, but are also more reliable. A computerized program will adjust the company's main inventory account for any movement during each month.
- The ABC classification is based on focusing efforts where the payoff is highest; i.e. high-value, high-usage items must be tracked carefully and continuously. As these items constitute only 20 percent, the ABC analysis makes the task relatively easier.
- Items can also be classified as fast-moving, slow-moving or non-moving based on their pattern of issue from the stores. This denotes how soon a material is consumed after it has been purchased and taken into stock. This classification helps in controlling obsolescence.

2.9 KEY TERMS

- **Inventories:** Inventories are materials and supplies carried on hand either for sale or to provide material or supplies to the production process.
- **Inventory Management:** Inventory Management involves the control of current assets being procured or produced in the normal course of the company's

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operations i.e. or "how many" parts, pieces, components, raw material and finished goods the firm should hold and when should it replenish the stock.

- **Assortment:** An assortment is a retailer's selection of merchandise. It includes both the depth and breadth of products carried.
- **Procurement policy:** A procurement policy is simply the rules and regulations that are set in place to govern the process of acquiring goods and services needed by an organization to function efficiently.
- **Economic order quantity (EOQ):** The economic order quantity (EOQ) is the replenishment order quantity that minimises the combined cost of inventory maintenance and ordering. Identification of such a quantity assumes that demand and costs are relatively stable throughout the year.

2.10 ANSWERS TO 'CHECK YOUR PROGRESS'

1. Inventory Management involves the control of current assets being procured or produced in the normal course of the company's operations i.e. or "how many" parts, pieces, components, raw material and finished goods the firm should hold and when should it replenish the stock.
2. An assortment is a retailer's selection of merchandise. It includes both the depth and breadth of products carried.
3. Under one-price policy the retailer charges the same price to all customers who buy the item under similar condition.
4. Price adjustments are nothing but markdown and additional mark-up mechanisms used by retailers to meet market challenges such as sales trends, seasonality of demand, competitive responses, inventory levels, input costs, procurement costs, government taxes, operational overheads and so on.
5. Procurement policy
6. Economic order quantity (EOQ)
7. Purchase quantity discounts
8. Perpetual inventory

2.11 QUESTIONS AND EXERCISES

Short Answer Questions

1. Define inventory.
2. What do you mean by inventory management?
3. State the meaning of customary and variable pricing.

4. Define odd pricing
5. What are the major assumptions of EOQ model?
6. What is the SOS technique of inventory management?
7. What is the meaning of FIFO?
8. What do you mean by assortment of goods?
9. What do you mean by SDE classification of inventory?

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Long Answer Questions

1. What are the different factors affecting the pricing decision?
2. What are the different types of pricing strategies?
3. Discuss the nature and importance of procurement efficiency.
4. What are the key techniques of inventory management to ensure economy?
5. Discuss the significance of keeping track of Fast, Slow and No (FSN) moving items.
6. What are the key external factors affecting the pricing strategy?
7. Write a detail note on EOQ extensions.

UNIT 3 STORES AND MALLS

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Structure

3.0 INTRODUCTION

Organised retailing in India witnessed a gross turnover of USD 320 billion in 2006. Although this figure is low compared with other developed economies, industry experts expect the growth rate of this sector at 35% until 2010. At present, about 100 malls are operational at a Pan-India level with a total area of 19 million sq ft. With reducing trade barriers among countries, there are saturated markets in developed markets moving towards cheap labour available in emerging markets, established distribution & sourcing knowledge. Successful retailers are expanding their success stories in new emerging market economies providing great support to rise in GDP & per capita income in emerging countries resulting into exposure to better lifestyle. In retailing, the conventional wisdom used to be, that, the critical success factor is location. But precise locations no longer matter & geo-demographics are increasingly becoming irrelevant. The leading multiple chain retailers, superstores & malls create their own Centres of gravity, attracting customers by car, bus, train or even by plane to wherever they are located.

According to the Jones Lang LaSalle Retailer Sentiment Survey 2006, 95% of the respondents expect their gross turnover to improve and have plans for expansion in

2007. About 70% of those who have expansion plans said they prefer malls over high streets for their expansion, indicating the rising demand for malls as the preferred destination of organised retail in India. Moreover, about 65% of those who preferred malls over high streets also said that mall management is expected to become the deciding factor for a mall's success in the future.

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Modernization of the Indian retail sector will be reflected in rapid growth in sales of supermarkets, departmental stores & of course top of all is malls. This chapter gives us the brief idea about the same.

3.1 UNIT OBJECTIVES

After going through this unit, you will be able to:

- Describe the development in stores and malls
- Explain the concept of store space leasing and tenant mix
- Define store branding and mall maintenance management
- Describe the key trends such as food court, round-the-clock operation and entertainment multiplexes.

3.2 INTRODUCTION TO STORES AND MALLS

A mall can refer to a place where a collection of shops adjoins a pedestrian area, or an exclusively pedestrian street, that allows shoppers to walk without interference from vehicle traffic. Mall is generally used to refer to a large shopping area usually composed of a single building which contains multiple shops, usually "anchored" by one or more department stores surrounded by a parking lot, while the term arcade is more often used, especially in Britain, to refer to a narrow pedestrian-only street, often covered or between closely spaced buildings. A larger, often only partly covered but exclusively pedestrian shopping area is in Britain also termed a "shopping Centre", shopping precinct or pedestrian precinct. The majority of British shopping Centres are in town Centres, usually inserted into old shopping districts, and surrounding by subsidiary open air shopping streets.

A shopping mall or shopping Centre is a building or set of buildings that contain a variety of retail units, with interconnecting walkways enabling visitors to easily walk from unit to unit. In most of the world the term shopping Centre is used, however, shopping mall is also used, predominantly in North America, but also to a large extent in Asia. Shopping precinct and shopping arcade are also used. In North America, the term shopping mall is usually applied to enclosed retail structures (and may be abbreviated to simply mall) while shopping Centre usually refers to open-air retail complexes.

Malls in Ireland, pronounced "maills", are typically very small shopping Centres placed in the centre of the town. They average about twenty years in age, with a mix

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of local shops and chain stores. These malls do not have shops found in the high street or modern shopping Centres.

Shopping centres in the United Kingdom can be referred to as "shopping centres", "shopping precincts" or just "precincts|, but with American-style Centres becoming more common in the UK, the term "mall" is gradually growing in use, at least among the younger generation.

Mall Mechanics

It is useful to first ask why malls have not taken off so far. Surprisingly, both developers and consumers are almost totally unaware of the possibilities. Everybody thinks of shopping Centres as dingy enclosed 'bazaars', instead of enjoyable social Centres. Consumers in India have existed in a sellers market, and have been conditioned to accept a poor quality retaining experience. Even a small degree of upgradation is equated with high prices. However, altitudes are changing rapidly, driven by exposure to satellite media and raising incomes. Besides, developers are also reluctant to enter the business because of difficulty in assembling large parcels of land in locations with good connectivity to other parts of the city. City centre locations are prohibitively expensive, while edges of town locations do not generate sufficient customer traffic. This actually means that the old times corporate that own large properties inside the city can become major players. There are very few developers and corporates in India with experience and the long-term perspective to invest time and resources into developing and following a mall management strategy.

Structural Differences

Every mall has to be tailored for specific cultures and localities. For example, malls through out Asia tend to be smaller than their American counterparts, with commercial space for offices, reflecting the fact that they are usually located within high density urban areas, rather than the edge locations in the US. So, they tend to be more 'vertical'.

This means that the merchandising approach, the merchandise mix and decisions on tenant locations inside the mall are far more complex. Asian shopping Centres cannot merely reflect a foreign business system, but have to be very specific in their appeal by developing a tenant body that reflects the need of the targeted customers, local real estate demand, and the quality of competition.

The developer and the mall operator tend to have conflicting objectives. The developer likes to sell off the property as fast as possible so that he can recover his returns, while the mall operator has to maximize the rental income over a period of time. Thus a proper retail space development strategy has to be thought out and implemented. Splitting the development role from the operational role can do this. From the Coopers and Lybrand experience abroad, we have seen that the most popular route that the developer sets up a Special Purpose Vehicle (SPV) i.e., a separate company that actually owns the property, his equity contribution to the SPV

can be in the form of property. Other investors provide more equity funds, while financial institutions provide loans. The SPV develops the property and sets up a mall management company as a subsidiary to actually run the mall and provide dividend income to the SPV, the developer has the choice of selling all or a part of his equity in the SPV at an appreciated price, or to continue to get the benefits of the income generated by the management company. He is thus able to maximize his realizations from the property at a far lower level of exposure than if he had decided to develop and operate the entire project on his own.

On the other hand, the mall management company is able to attract good anchor tenants, and develop a mix of tenants that guarantees visitor volumes. It is able to control tenants and charge premium leases. Tenants get high quality service from the mall managers, and customers enjoy better facilities and services. Voila, everybody wins!

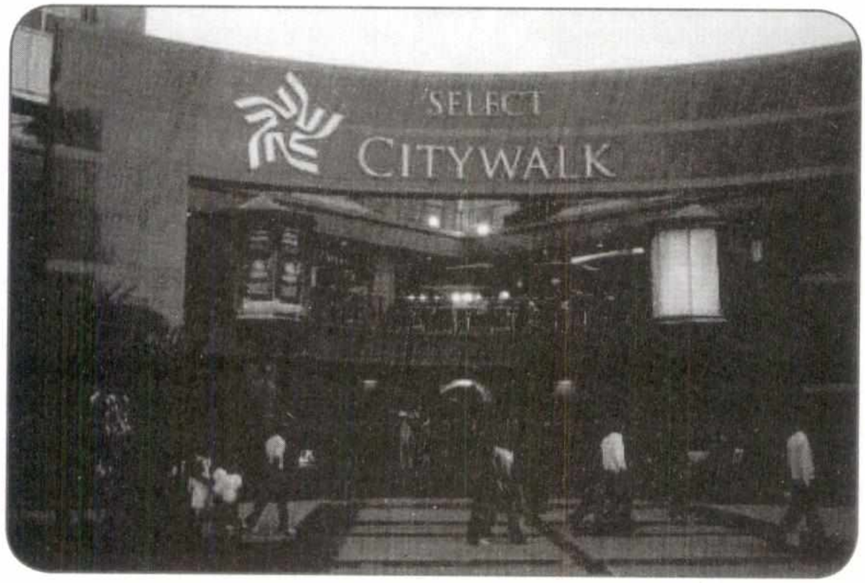
3.3 DEVELOPMENT OF MALLS AND MULTIPLEXES

The concept of retail as entertainment came to India with the advent of malls. Mall fever has touched every facet of Indian society. Whatever is the income stratum of consumers, malls make no distinction in proffering most-revered national and global brands. Shopping Mall refers to a set of homogenous and heterogeneous shops adjoining a pedestrian, or an exclusive pedestrian street, that make it easygoing for the shopper to walk from store to store without interference from vehicular traffic. Malls are incorporated with a whole bank of lifts and escalators for smooth transit of shoppers. Malls are located in proximity to urban outskirts, and ranges from 60,000 sq ft to 70,000 sq ft and above. The future of organised retailing is largely in the hands of mall where the shoppers get quality, quantity, aspirational appeal, recreation facilities and ambience. Under one roof, the flashy malls promises just about everything under the sun, from foreign gizmos to the very *desi*, virtually an airbus full of national and international brands, to say the least. Malls offer a plethora of attractions—high profile shopping, impulse eating establishment, a glitzy and glamorous environment to discerning shoppers of more refined tastes, who are more concerned with quality and fashion and less concerned with budgets. Mall reveals six factors namely comfort diversity, luxury, mall essence, entertainment, and convenience which are a source of cynosure.

The Multiplex Association of India estimates that there are around 900 multiplex screens in India. By April next year, the count will increase to 1,350. At an average cost of ₹ 2 crores per screen, that is an investment of ₹ 900 crores. Nikhil Vora, MD of IDFC Securities, believes the industry is well capitalised to keep pace with its growth projections.

Leading the charge is PVR Ltd, which says it will add around 127 screens by April 2013. Inox Leisure Ltd. will have 80 more, while many smaller and regional players, such as DT Cinemas and Wave Cinemas are also expanding. Despite its parent,

Reliance Media Works, being saddled with ₹ 1,912 crores of debt, Anil Ambani's Big Cinemas, the industry leader by screen count, will add 30 screens. And Canadian company Imax Corporation is re-entering the Indian market this year in collaboration with Chennai-based SPI cinemas, which operates the Sathyam chain of cinemas.



When it comes to reel life matters, India is way ahead of the rest of the world. With over 1,000 movies being churned out every year, it tops the film production charts—never mind that the vast majority of those flicks are box-office duds. India is also No.1 when it comes to attendance, with over three billion tickets sold a year. Where it lacks, though, is in the number of screens—there are just 10 screens per million people, unlike in the United States, where there are 120 per million. That unmet opportunity is what multiplex chains are lining up to seize.

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But the real screen star will be Cinepolis, the world's fifth-largest multiplex chain. The privately held Mexican company plans to make investments of more than ₹ 350 crores in India by the end of 2012. Cinepolis, which commenced operations in India in 2007, currently has 32 screens, mostly in Tier II cities. It plans to add 100

more by this year end and take its total count up to 500 by 2016. Of these, 440 have already been signed up with mall developers. "We are not in a race. We are only looking at opportunities," says Milan Saini, MD of Cinepolis's India unit. So what is behind this sudden explosion? Seen alongside annual ticket sales, which have been declining steadily over the years with the advent of satellite television, DVDS and the like, the ambitious plans seem all the more baffling. To understand the paradox, one need look no further than the neighbourhood mall.

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The growth in multiplexes over the next year, indeed, in the years to come, will be driven by malls. Multiplexes are an integral part of malls today. During the economic slowdown, the retail sector was hit hard and mall construction pretty much came to a standstill. But construction has resumed now and many malls are set to open. “The retail mall space was slow in 2008, 2009 and 2010. But supply started coming in from last year and is going to continue for this year as well,” says Anshuman Magazine, Chairman and MD of CB Richard Ellis, South Asia, a real estate consultancy. Adds Swaroop Reddy, Director, SPI Cinemas: “We didn’t get many properties on time. They started at different times and are getting delivered over a short period.”

The association between multiplexes and malls is symbiotic in nature, as both entities get to feed off each other's footfalls. “Malls are designed around multiplexes. So, it is 100 per cent sure (that a multiplex will open), once they sign the deal,” says Ashish Pherwani, Senior Manager of Advisory Services at Ernst & Young. If anything, it is the mall owners who are wooing the multiplex owners. “Every mall wants to associate with us because our presence increases rentals by 20 per cent,” says Pramod Arora, Group President, PVR. He says the company’s expansion slowed over the past three years as there were not enough good malls coming into the market.

Real estate developers set up multiplexes in their malls primarily to attract more footfalls. These include DLF, India’s largest real estate firm by market capitalisation, with its DT Cinemas. The same goes for Wave Group (Wave Cinemas) and SRS Ltd (SRS Cinemas).

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The security deposit plus rental system has collapsed in most malls, barring a few established ones in prime locations. Revenue sharing deals are now the norm. This has reduced the initial cost of opening new theatres. "It's a collaborative model, based on the ability to pay. It's more sustainable," says Saini of Cinepolis.

Conversely, multiplex chains are no longer looking at independent properties. Big Cinemas and some others tried that route, acquiring single screens and converting them into multiplexes. According to Pherwani, this produced only mixed results. "The high acquisition cost combined with availability of cheap malls has made single-screen properties less attractive."

Some are still trying, though. According to UFO Moviez, which provides digital screens to theatres, around 500 standalone cinemas have been converted into multiplexes over the past decade. The trend is set to continue this year as well. There are around 10,500 single screen cinemas today, according to the Single Screen Association. A decade ago, that number stood at 13,700. Many have been forced to shut shop and several more will have to follow suit.

South India, where almost 60 per cent of the screens in the country are located, is still largely dominated by single screens. In part this is because Southern cities have been slow in embracing malls. That is set to change. According to CB Richard Ellis South Asia, 12 malls are ready for delivery in the South this year and another eight will be ready next year.

Ultimately, it is a revenue game. According to ticket sales tracker BoxofficeIndia.com, multiplexes accounted for 65 per cent of the box-office collections of the top 50 Hindi films last year. They may be ten times more in number, but single-screens accounted for only 35 per cent of collections. Expansion will also give multiplexes some bargaining clout with film distributors, food and beverage (F&B) suppliers, and mall developers. They will also be in a better position to strike lucrative advertising deals with large companies rather than depend on smaller revenues from ads run by local businesses.

The overall film exhibition industry's growth has been steady, if not stellar. It grew 11.5 per cent in 2011 to ₹ 7,000 crores, according to the KPMG Media and Entertainment industry report, 2012. The industry expects the Southern and Eastern markets to drive the next phase of growth, the report adds. For multiplexes, any city with a population of one million or more, with malls, is good enough to open a property. In the South, they are set to come up in Coimbatore, Madurai, Mysore and Kochi, among other cities.

PVR will open around 80 screens in South India over the next three years, while Cinepolis will have 30 per cent of its screens there. Up North, chains such as Glitz Cinemas is targeting smaller towns such as Muzaffarpur in Bihar and Muzaffarnagar in Uttar Pradesh. "If you get (a good) location, you become the leader in that market," says Sumant Bhargava, MD of Stargaze Entertainment, which operates cinemas under the Glitz Cinemas brand.

Cinepolis will also open three megaplexes—more than 10 screens in one location—this year, in Thane (14 screens), Pune (15 screens) and Kochi (11 screens). "A consumer will never return without a ticket and he will have more choice in terms of timings and availability of regional movies," says Saini.

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Megaplexes may benefit when a film has a wide release. For instance, Don 2, Bodyguard and Ra.One were released with over 2,500 prints. Assured of a ticket, moviegoers may flock to a megaplex. This could make a big difference during the first week of a film's release, always the most profitable. First-week collections accounted for 60–70 per cent of total box-office collections for the top 50 Hindi films last year.

Still, while they get the best films and have much higher ticket prices, multiplexes are not assured of profits. Margins are constantly under pressure as they have to share revenue with distributors and mall owners and deal with high costs and taxes. On every ₹ 100 ticket, ₹ 20 goes towards entertainment tax. Of the remaining ₹ 80, a film's distributor gets ₹ 36. That leaves the multiplex with ₹ 44.

But it also has to cope with high operations and maintenance costs as well as fixed costs. This has a telling effect when a film is a dud. "It is a capital-intensive industry and difficult to monetise. Growth is a double edged sword. Unlike other retailers, our cost is fixed," says Sunil Punjabi, CEO of Cinemax.

The picture is brighter on the F&B front, with margins at around 65 per cent and advertisements, with margins of 80 per cent. "If we look at balance sheets, most of the profits of big multiplexes are what they earn as margins in F&B as well as through advertising," says Ajay Mehta, CEO of Interactive TV, a cinema advertising agency. Globally, Cinepolis generates 48 per cent of its revenue from non-ticketing activities, says Saini. Exhibition alone is not enough to survive, says Sanjay Kaul, president of M2K multiplexes in the National Capital Region. Standalone cinemas have it far worse. And that is one of the reasons more than 3,000 screens of them have closed down over the last decade.

Still, things are getting better, says Abneesh Roy, Associate Director (Research), Edelcap Securities. He points out that profitability has been improving over the last two years. For instance, PVR'S net profit rose from ₹ 17 crores in April-December 2010 to ₹ 42 crores in the same months of 2011. Cinemax's net income increased from ₹ 15 crores to ₹ 21 crores over the same period, while Inox, the largest multiplex by way of revenues, has seen its net profit go up from ₹ 12 crores to ₹ 20 crores. Inox, which acquired Fame multiplex three years ago, has bounced back after a period of consolidation. Return on investment may drop, but it will continue to post profits, says Upen Shah, VP, Finance. But not everyone is convinced that there are better times ahead for the multiplex segment. Leena Jaisani, head of industry lobby FICCI's entertainment division, doubts there will be enough good content to fuel this explosion. After all, whether it is in a standalone cinema or a multiplex, only a good film will attract people.

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3.4 STORE SPACE LEASING IN MALLS

A lease is a legal document, but can be an oral arrangement, which confers a right on one person (called a tenant or lessee) to possess property belonging to another person (called a landlord or lessor) to the exclusion of the owner landlord. The relationship between the tenant and the landlord is called a tenancy, and the right to possession by the tenant is sometimes called a leasehold interest. A lease can be for a fixed period of time (called the term of the lease) but may be terminated sooner. The consideration for the lease is called rent or the rental. Shopping Centres often create their own retail markets, which could have characteristics and behaviour quite distinct from the local retail community. Because shopping Centres have special qualities compared to other property investments and also because institutional investors have a large appetite for them, a growing (primarily United States) literature has arisen to explain their existence. The shopping Centres academic literature has evolved into the broad areas of central place theory, retail agglomeration models, retail demand externality theories and the valuation of shopping Centres and their leases.

The following are the different forms of Tenancies

1. Fixed-term Tenancy or Tenancy for Years

A fixed-term tenancy or tenancy for year's lasts for some fixed period of time. Despite the name tenancy for years, such a tenancy can last for any period of time even a tenancy for one week would be called a tenancy for years. At Common law the duration did not need to be certain, but could be conditioned upon the happening of some event, (e.g. "until the crops are ready for harvest", "until the war is over"). In many jurisdictions that possibility has been partially or totally abolished.

A fixed term tenancy comes to an end automatically when the fixed term runs out, or, in the case of a tenancy that ends on the happening of an event, when the event occurs.

2. Periodic Tenancy

A periodic tenancy, also known as a tenancy from year to year, month to month, or week to week, is an estate that exists for some period of time determined by the term of the payment of rent. An oral lease for a tenancy of years that violates the Statute of Frauds (by committing to a lease of more than–depending on the jurisdiction--one year without being in writing) may actually create a periodic tenancy, the construed term being dependent on the laws of the jurisdiction where the leased premises are located. In many jurisdictions the "default" tenancy, where the parties have not explicitly specified a different arrangement, and where none is presumed under local or business custom, is a month-to-month tenancy.

The landlord may terminate a periodic tenancy at any time by giving the tenant notice as required by statute. Typically, the landlord must give six months' notice

to terminate a tenancy from year to year. Tenants of lesser durations must typically receive notice equal to the period of the tenancy—for example, the landlord must give a month's notice to terminate a tenancy from month to month. However, many jurisdictions have varied these required notice periods, and some have reduced them drastically.

The notice must also state the effective date of termination, which, in many jurisdictions, must be on the last day of the payment period. In other words, if a month-to-month tenancy began on the 15th of the month, in such a jurisdiction the termination could not be on the 20th of the following month, even though this would give the tenant more than the required one-month's notice.

3. Tenancy at Will

A tenancy at will is a tenancy which either the landlord or the tenant may terminate at any time by giving reasonable notice. It usually occurs in the absence of a lease, or where the tenancy is not for consideration. Under the modern common law, tenancy at will is very rare, partly because it can only come about if the parties expressly agree that the tenancy is at will and not for rent. However, tenancy at will is common where a family member is allowed to live in the home (a nominal consideration may be required) without any formal arrangements. In most residential tenancies for consideration, the tenant may not be removed except for cause, even if there is no written lease. Alternatively, a tenancy at will may be used for a temporary period where a tenant wishes to take possession of a property urgently, but there is insufficient time in which to negotiate and complete a new lease. In this case, the tenancy at will is terminated as soon as the new lease is completed and is usually agreed on the basis that if the new lease fails to complete within a reasonable time period, then the tenant must vacate the premises.

If a lease exists at the sole discretion of the landlord, it grants the tenant by operation of law a reciprocal right to terminate the lease at will. However, a lease that explicitly exists at the will of the tenant (e.g. "for as long as the tenant desires to live on this land") does not imply that the landlord may terminate the lease, even for cause; rather, such language may be interpreted as granting the tenant a life estate or even a fee simple.

A tenancy at will is broken, again by operation of law, if the:

- Tenant commits waste against the property;
- Tenant attempts to assign his tenancy;
- Landlord transfers his interest in the property;
- Landlord leases the property to another person;
- Tenant or landlord dies.

Subject to any notice requirements, a tenancy at will also come to an end when either the landlord or tenant acts inconsistently with a tenancy. For example, the changing of locks by the landlord is an indication of the end of the tenancy, as is the vacation of the premises by the tenant.

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4. Tenancy at Sufferance

A tenancy at sufferance (sometimes called a holdover tenancy) exists when a tenant remains in possession of a property after the expiration of a lease, and until the landlord acts to eject the tenant from the property. Although the tenant is technically a trespasser at this point, and possession of this type is not a true estate in land, authorities recognize the condition in order to hold the tenant liable for rent. The landlord may evict such a tenant at any time, and without notice.

The landlord may also impose a new lease on the holdover tenant. For a residential tenancy, this new tenancy is month to month. For a commercial tenancy of more than a year, the new tenancy is year to year; otherwise it is the same period as the period before the original lease expired. In either case, the landlord can raise the rent, so long as the landlord has told the tenant of the higher rent before the expiration of the original lease.

3.5 TENANT MIX

Tenant mix is 'a combination of factors, including the proportion of space or number of units occupied by different retail/service types, as well as the relative placement of tenants in the centre'. And a 'good tenant mix' is a variety of stores, which work together to enhance the Centre's performance and operate successfully as individual businesses.

Further, Tenant mix refers to the combination of business establishments occupying space in a shopping centre to form an assemblage that produces optimum sales, rents, service to the community and finance ability of the shopping Centre venture. These descriptions of tenant mix all stress the underlying objective of maximization shopping centre profitability, and are therefore investor-oriented. Only the third mentions the key to maximizing profitability, which is maximization of sales, through provision of the optimum service to the community. The concept of tenant mix design therefore involves provision of a range of merchandise and services, carefully chosen to appeal to the catchments shopping population. These services may include restaurants and other food outlets, and increasingly also include leisure facilities such as cinemas. In discussions of tenant mix, the provision of different types of merchandise is almost always replaced by a proxy, namely various categories of retailer, by means of which the merchandise on offer can be classified, classifications focus on characteristics such as price and quality, appeal to different lifestyle groups, service levels and so on.

Issues Considered in Evolving Tenant Mix

There is very little to choose among the five issues, the 'maximizing rental value and responding to current occupier demand' only marginally higher in score than 'positioning against other centres', 'choosing strong tenant covenants' and 'meeting

unmet consumer demand in the catchments area'. The fact that responding to occupier and unmet consumer demand is scored comparably to maximizing rentals suggests that short-term value maximization is not widespread. It is also suggested that shareholder pressure for short-term increases in value has to be balanced against medium to long-term rental growth potential arising from a well-chosen tenant mix. The low score given to reflecting local stores and streets' suggests that managers of in-town Centres are more interested in competing with other Centres than with the surrounding retail context. Further, the overall balance of retail types within a Centre, the second major ingredient of tenant mix, is locating each retailer in relation to others and to the centre's layout.

On an average the priority is to manage pedestrian flows. Then comes the grouping comparison shops separating incompatible retailers, and separating competing stores.

However, many shopping centre managers rely on the judgment of skilful retailers to select or reject individual locations on these bases and therefore, concentrate on the 'whole centre' issues, which are outside the control of individual retailers and for which the manager alone is responsible. Certainly the second highest score attributed to 'good access to catering' agrees with this 'whole centre' approach. It is also likely that floor space pricing automatically sorts retailers, rendering the issue of distinguishing from secondary malls relatively unimportant for the manager. The low score afforded to creating malls for different shopper profiles suggests that this is a luxury outside any but the largest centres.

Ground Rules of Tenant Mix Concept

Despite the instability and volatility of tenant mix noted in the previous section, there are some principles and patterns that increase agglomeration economies from retail clustering. From the above review of agglomeration and retail literatures, three propositions can be easily ascertained.

First of all, the positive relationship between variety and productivity suggests that the higher the diversity in product variety, the higher is the operational performance. This product variety may come from two aspects of tenant mix, the different retail/service categories and the brands within each of these categories.

Although variety means diversity in retail/service categories and brands, there still should be a pattern in the distribution of these categories and brands. Since tenant mix plays a crucial part in establishing the image of the shopping centre, themes and attractions of image should be focused. Therefore, each shopping centre should concentrate on certain retail/service categories, focusing on its target market segmentation. This is, in effect, the core-periphery relationship proposition.

From the full tenant lists of a shopping centre, we should be able to extract the exact core and periphery retail/service categories. This will provide us with information as to which retail/service categories should be focused upon in a regional shopping centre. Since the regional shopping centre is near the top of the retail hierarchy,

these "core categories" should be consistent with central place theory, and include categories such as comparative, luxury and durable goods.

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Avoiding Tenant Mix Problems in Shopping Centre Lease

A major retail tenant of a shopping centre has a lot of bargaining power. So much so sometimes that it has the power to change the tenant mix in a way which is detrimental to the entire centre. The owner of the centre sometimes has to make an unpleasant choice—to give the tenant the flexibility it seeks and put the viability of the centre at risk or deny the tenant its desires and risk losing the tenant.

Fortunately, there are other alternatives. The first is to permit the tenant the widest use of its space but prohibit it from changing the use of that space to the then principal use of another tenant of the centre (through change in business of the tenant or through assignment or subletting). Thus, for example, if the major tenant of the shopping centre is a clothing store and the centre later adds a florist, the lease will prohibit the clothing store from converting either itself or its space into a flower shop. This is particularly important if the size or location of the Centre is such that the centre will be unable to support two businesses in direct competition and has two beneficial effects. It maintains tenant balance in the centre while simultaneously giving some flexibility to the powerful tenant by allowing it to use some or all of its space for a business which, while present in the centre, is an ancillary, rather than a principal, business of another tenant.

Another frequently employed technique is to permit the main tenant to use the space for one or more specific purposes (these being the purposes for which the tenant intends to use the space at the time of execution of the lease) and provide that the tenant may not use the space for any of a list of prohibited purposes, one of which is the principal use of another tenant. This limits both the use to which the original tenant may affirmatively put the property (that is, if a florist shop or a clothing store is permitted and a music store is not, the tenant may not open a music store even if it would otherwise be permissible) while simultaneously restricting uses which would be deleterious to the continued good health of the centre.

The third common technique is to give the original tenant the broadest possible use of its own retail space, but restrict the purposes for which the original tenant may assign the lease or sublet the premises.

These strategies should not be applied without careful consideration of the needs both of the tenant and the shopping centre. A major portion of our practice consists of helping our clients to give that consideration to proposed rentals of significant retail space. If you have a question about any aspect of commercial leasing, you really should give us a call.

Shopping centres often create their own retail markets, which could have characteristics and behaviour quite distinct from the local retail community. Because shopping centres have special qualities compared to other property investments and also because institutional investors have a large appetite for them, a growing

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primarily United States) literature has arisen to explain their existence. The shopping centres academic literature has evolved into the broad areas of central place theory, retail agglomeration models, retail demand externality theories and the valuation of shopping centres and their leases.

Economic Importance of the Retail Tenant Mix

The contribution of retail tenant mix to shopping centre success has increasingly been emphasized by occupiers, investors and professional advisers. The seminal idea is that a planned centre should aim to create an optimal combination of tenants that will maximize centre turnover and retailer profits and therefore total net rentals. The retail tenant mix will normally include one or more anchor tenants, a variety of mall stores and food court operators. Each category of retail tenant has a role to play in creating the centre's micro retailing climate. At the foundation are anchors that attract a base number of consumers to the centre. Food court operators can create another function for the retail destination, as well as capitalizing on the high pedestrian traffic flows in the focus of a centre. Mall stores cover all of the other shopping needs of the consumer, so as to economize consumer's time cost of shopping.

Real estate professionals posit that because of the differing roles between retail tenant, the centre manager should not act to maximize rentals on a shop by shop basis without considering the tenant mixture. Retail tenants that can afford to pay low rentals per square meter must invariably be accommodated with high rental retailers for an optimal retailer mixture to be found. This rationale is often espoused between retail categories (anchor, food court and mall stores), and between mall store types (e.g., jewellery, fresh food and electrical goods).

In recent years, ideas of how planned shopping centres should exist have become the topic of academic research. The theoretical foundation followed in this research is based on previous models of shopping centre space allocation developed by Brueckner (1993) and Eppli and Shilling (1993).

Brueckner's model is that centres contain a variety of shops to lure consumers because of the time economizing quality of shopping at one destination. If another type of retailer enters a centre, this increases the likelihood that any given shopping trip can be executed in a time-cost saving manner by visiting the centre (as opposed to visiting isolated shops). As some additional consumers will patronize other stores during their visits, the existing retail tenants receive what Brueckner terms an "externality" from the new type of store locating in the centre. Retail tenant types differ in their externality generating ability. For example, a mall store selling goods that are not on many shopping lists would generate few externalities, while a department store that carries many goods on the average shopping list generates many. Brueckner extends this rationale and formally shows that the rental for any retailer is dependent on the sales volume per square foot the retailer achieves, and also on the sales that other tenants generating externalities achieve. The implication of Brueckner's theoretical work is that landlords must optimize inter-retailer externalities to maximize centre total rents.

Check Your Progress

1. What do you mean by a mall?
2. Define leasing.
3. What do you mean by periodic tenancy?

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The conclusions from Brueckner's model also appears to be consistent with observed behaviour. For example, jewellery stores and lottery stores are typically identified as high rental payers. The landlord does not allocate all the mall store parades to jewellers and lottery stores because the price of these retail tenants depends on their sales per square metre and the externalities generated by other mall store tenant types. Allocation of all the space to jewellery and lottery stores is likely to cause externalities to be suboptimal, as in most cases shoppers will not want only these two store types. The theoretical models in the real estate literature are intuitive, but there have been relatively few empirical studies outside the U.S. that examine their predictions.

3.6 BRANDING OF STORES AND MALLS

Brand management is the application of marketing techniques to a specific product, product line, or brand. It seeks to increase the product's perceived value to the customer and thereby increase brand franchise and brand equity. Marketers see a brand as an implied promise that the level of quality people have come to expect from a brand will continue with future purchases of the same product. This may increase sales by making a comparison with competing products more favourable. It may also enable the manufacturer to charge more for the product. The value of the brand is determined by the amount of profit it generates for the manufacturer. This can result from a combination of increased sales and increased price, and/or reduced COGS (cost of goods sold), and/or reduced or more efficient marketing investment. All of these enhancements may improve the profitability of a brand, and thus, "Brand Managers" often carry line-management accountability for a brand's P&L profitability, in contrast to marketing staff manager roles, which are allocated budgets from above, to manage and execute. In this regard, Brand Management is often viewed in organizations as a broader and more strategic role than marketing alone.

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The annual list of the world's most valuable brands, published by Interbrand and Business Week, indicates that the market value of companies often consists largely of brand equity. Research by McKinsey & Company, a global consulting firm, in 2000 suggested that strong, well-leveraged brands produce higher returns to shareholders than weaker, narrower brands. Taken together, this means that brands seriously impact shareholder value, which ultimately makes branding a CEO responsibility.

Following the American Marketing Association's definition of a brand, a retail brand identifies the goods and services of a retailer and differentiates them from those of competitors. A retailer's brand equity is exhibited in consumers responding more favorably to its marketing actions than they do to competing retailers (Keller 2003). The image of the retailer in the minds of consumers is the basis of this brand equity.

Researchers have studied a multitude of retailer attributes that influence overall image, e.g., the variety and quality of products, services, and brands sold; the physical store appearance; the appearance, behaviour and service quality of employees; the price levels, depth and frequency of promotions; and so on. Lindquist (1974) and Mazursky and Jacoby (1986) categorized these attributes into a smaller set of location, merchandise, service, and store atmosphere related dimensions. To organize our review of the key lessons from retailer image research, we adopt this categorisation, but modify it slightly to better reflect the increasing emphasis that pricing and the breadth and depth of merchandise assortment have received in more recent research. The five dimensions we use to review past research are: (1) access, (2) in-store atmosphere, and (3) price & promotion, (4) cross-category product/service assortment, and (5) within-category brand/item assortment.

Access

The location of a store and the distance that the consumer must travel to shop there are basic criteria in their store choice decisions. Beginning with gravity models (e.g., Huff 1964) store choice and the optimisation of retail site location attracted a lot of research attention in the eighties (e.g., Achabal, Gorr, and Mahajan 1982; Ghosh and Craig 1983; Donthu and Rust 1989). Today, suburban sprawl, greater driving distances, the appearance of new warehouse retail formats that are often located in large spaces away from residential areas, and online retailing have made location somewhat less central as a store choice criterion.

Consistent with this trend, Bell, Ho, and Tang (1998) find that location no longer explains most of the variance in store choice decisions. Rather, store choice decisions seem to be consistent with a model where consumers' optimise their total shopping costs, effort to access the store location being one component of their fixed cost of shopping.

However, that location is unimportant. Consumers' store choice may be based on different criteria depending upon the nature of the trip. For instance, small basket, fill-in trips are very unlikely to be made to distant or inconvenient locations. And,

retailers in some formats, like convenience, drug, or supermarket have less flexibility in their location decision than mass merchandisers or warehouse clubs.

In summary, although location no longer explains a major portion of the variance in consumers' choice of stores, it is a key component in consumer's assessment of total shopping costs and is still important for retailers who wish to get a substantial share of wallet from fill-in trips and small basket shoppers.

Store Atmosphere

Mehrabian and Russell (1974) note that the response that atmosphere elicits from consumers varies along three main dimensions of pleasantness, arousal, and dominance. This response, in turn, influences behaviour, with greater likelihood of purchase in more pleasant settings and in settings of intermediate arousal level. Different elements of a retailer's in-store environment, e.g., colour, music, and crowding, can influence consumers' perceptions of a store's atmosphere, whether or not they visit a store, how much time they spend in it, and how much money they spend there (Bellizzi, Crowley, and Henderson 1983; Milliman 1982; Eroglu and Machleit 1990; Grewal et al. 2003). Baker et al. (2002) provide a good review of this research and categorise the elements of in-store atmosphere into physical features like design, lighting, and layout, ambient features like music and smell, and social features like type of clientele, employee availability and friendliness. They note that atmosphere can affect consumers' perceptions of the economic and psychological costs of shopping in a store and find that pleasing physical design lowers both economic and psychological costs while music lowers the latter.

Store atmosphere mediates consumer perceptions of other dimensions of store image. For instance, Baker et al. (2002) find that store environment factors, particularly physical design perceptions, significantly affect consumers' perceptions of merchandise price, merchandise quality, and employee service quality. Schlosser (1998) argues that, since store atmosphere has a social identity appeal, a pleasing atmosphere in the store should influence perceptions of socially communicative products in the store, not so much intrinsically rewarding products. This logic can be extended to argue that store atmosphere would have a greater impact on perceptions of products with higher perceived (social) risk. Indeed, Richardson, Jain, and Dick (1996) do find that consumers' ratings of the private label's quality are higher when the store is aesthetically pleasing than when it is less attractive, although there is no significant difference in their ratings of national brands' quality.

In summary, a pleasing in-store atmosphere provides substantial hedonic utility to consumers and encourages them to visit more often, stay longer, and buy more. Although it also improves consumers' perceptions of the quality of merchandise in the store, consumers tend to associate it with higher prices. From a branding perspective, an appealing in-store atmosphere offers much potential in terms of crafting a unique store image and establishing differentiation. Increasingly, brands are being positioned on the basis of their intangibles and attributes and benefits that

transcend product or service performance. Even if the products and brands stocked by a retailer are similar to others, the ability to create a strong in-store personality and rich experiences can play a crucial role in building retailer brand equity.

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Price and Promotion

No matter how the characteristics of the consumer, product, store, or purchase situation might differ, price represents the monetary expenditure that the consumer must incur in order to make a purchase. From the vast literature on pricing, we highlight three areas that are of direct relevance to consumers' image and choice of retailers.

Store price perceptions. A retailer's price image should be influenced by attributes like average level of prices, how much variation there is in prices over time, the frequency and depth of promotions, and whether the retailer positions itself as EDLP or HILO. Decades ago, however, Brown (1969) highlighted the difference between consumers' perceptions of price levels in various stores and reality, showing that consumers may use non-price related cues like service offerings and quality levels to form their price perceptions. That consumers may not form valid perceptions of actual prices in a store is supported by Dickson and Sawyer's (1990) widely cited work, but consumers do develop some general price perceptions of products in a store, and can evaluate their expensiveness in relative terms (Monroe and Lee 1999).

Desai and Talukdar (2003) develop a product-price saliency framework to examine how consumers form an Overall Store Price Image (OSPI). They show that products with high unit prices and high purchase frequency are more salient and therefore contribute more to OSPI, with purchase frequency dominating unit price in importance. Alba et al. (1994) examine how consumers' perceptions of store prices change with prior beliefs and information about how frequently a store has a price advantage on a set of products and the magnitude of that price advantage. They find that, although prior beliefs affect price perceptions, frequency of price advantage dominates both prior beliefs and magnitude of price advantage in influencing consumers' perceptions of store price level.

The intuition behind the finding is straight-forward. Large basket shoppers are captive to the pricing across a large set of product categories at a time and do not have the flexibility to take advantage of occasional price deals on individual products. They therefore prefer EDLP because it gives them a lower expected price for their shopping basket. Small basket shoppers, on the other hand, can take advantage of variations in prices of individual products and, by buying on deal, can lower their basket price even if average prices in the store are high.

Ho, Tang, and Bell (1998) also explain why both EDLP and HILO co-exist in the market. They show that average prices are higher in HILO stores and average purchase quantities are lower. HILO pricing is more effective in enticing shoppers to make more frequent store visits, but, since shoppers have the flexibility to buy more on trips when prices are lower, the HILO store's revenue per unit time is lower.

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In contrast, EDLP decreases shopping frequency but generates higher revenue per unit time. Thus, neither format is dominant.

Price promotion induced store switching. The third research area studies whether retailer price promotions result in store switching by consumers. Kumar and Leone (1988) and Walters (1991) find a significant impact of promotions on store switching/traffic. However, it is unlikely that consumers would keep track of weekly promotions on a multitude of categories in all the stores in their neighborhood. Bucklin and Lattin (1992) show that retail promotions in any one category do not directly influence a consumer's store choice decision, but they indirectly affect where the category is purchased. Consumers typically shop in more than one store. They may purchase a promoted product in the store they happen to be visiting whereas they would otherwise have purchased it in another store. This also reiterates the important moderating effect of in-store atmosphere. The impact of promotions will be higher in a pleasant atmosphere.

Because the longer consumers stay in a store, the more likely they are to notice promotions and buy more than planned during the shopping trip. In summary, consumers are more likely to develop a favourable price image when retailers offer frequent discounts on a large number of products than when they offer less frequent, but steeper discounts. Further, products that have high unit price and are purchased more frequently are more salient in determining the retailer's price image. One pricing format does not dominate another, but large basket shoppers prefer EDLP stores while small basket shoppers prefer HILO, and it is optimal for HILO stores to charge an average price that is higher than the EDLP. Finally, price promotions are associated with store switching but the effect is indirect, altering consumers' category purchase decisions while they are in the store rather than altering their choice of which store to visit.

These findings are crucial for retailers who are trying to build their retail brand. They highlight the levers that retailers can use to influence their price image and the impact of their price promotions, and they show that retailers have considerable flexibility in following different pricing strategies and avoiding head-to-head price competition with other retailers even though they may carry many of the very same manufacturer brands that competing retailers carry.

Cross-category Assortment

Consumers' perception of the breadth of different products and services offered by a retailer under one roof significantly influence store image. The benefits of a wide assortment are clear. First, the greater the breadth of product assortment, the greater the range of different situations in which the retailer is recalled and considered by the consumer, and therefore the stronger its salience. As noted by Keller (2003), salience is the most basic building block for a brand. Second, the one-stop shopping convenience that a broad product assortment enables is becoming more important than ever for today's time-constrained consumer (Messinger and Narasimhan 1997),

putting pressure on retailers to broaden their assortment. Third, consumers regularly shop at more than one store, and, as noted earlier, they may purchase a category in the store that they are visiting based on in-store assortment and marketing mix activities whereas they would otherwise have purchased it in another store. Together with the fact that unplanned purchases comprise a significant portion of consumers' total shopping basket, this gives an advantage to retailers with broader assortments.

The branding literature, however, suggests some potential pitfalls of broad assortments, apart from the rather obvious downside that increasing assortment breadth brings with it significantly higher costs for the retailer. Inman, Shankar, and Ferraro (2004) show that certain types of product categories have "signature" associations with specific channels, e.g., supermarkets with food, drug channel with medications and health products, and mass merchandisers with household items. But, research has shown that a brand that is seen as prototypical of a product category can be difficult to extend outside the category (Farquhar and Herr 1993). Therefore, if a retailer has strong signature associations with certain categories, consumers may find it difficult to think of the retailer in connection with other, very different categories. Brand extension research also shows that a large number of associations could produce interference effects and lower memory performance (Meyers-Levy 1989).

The good news, however, is that if the retailer attempts to sell a new line of products or offer a new service that fails to connect with consumers, there may be little long-term harm as long as the new line is not too closely connected to the retailer's signature categories or its own brand name. Research on brand equity dilution has found that parent brands generally are not particularly vulnerable to failed brand extensions: An unsuccessful brand extension potentially damages a parent brand only when there is a high degree of similarity or "fit" involved (Ahluwalia and Gurhan-Cali 2000; Gurhan-Canli and Maheswaran 1998; Keller and Aaker 1992). Of course, the retailer's image and reputation would be more vulnerable if the expanded product assortment is a private label branded under the store's own name.

Another finding from brand extension research is also relevant to retailers' assortment decisions. Keller and Aaker (1992) showed that by taking "little steps," i.e., by introducing a series of closely related but increasingly distant extensions, it is possible for a brand to ultimately enter product categories that would have been much more difficult, or perhaps even impossible, to have entered directly (Dawar and Anderson 1994; Jap 1993; Meyvis and Janiszewski 2004). Successfully introduced brand extensions can lead to enhanced perceptions of corporate credibility and improved evaluations of even more dissimilar brand extensions that are introduced later. In other words, retailers are most likely to be successful if they expand their meaning and assortment in gradual stages, as for example Amazon, or even Wal-Mart, did.

In summary, a broad assortment can create customer value by offering convenience and ease of shopping. It is risky to extend too far too soon, but, staying too tightly coupled to the current assortment and image may unnecessarily limit the retailer's range of experimentation (Danneels 2003). The logic and sequencing of a retailer's

assortment policy are critical to its ability to successfully expand its meaning and appeal to consumers over time.

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Within-category Assortment

Consumers' perceptions of the depth of a retailer's assortment within a product category are an important dimension of store image and a key driver of store choice. As the perceived assortment of brands, flavors, and sizes increases, variety seeking consumers will perceive greater utility (McAlister and Pessemier 1982; Kahn and Wansink 2004), consumers with uncertain future preferences will believe they have more flexibility in their choices (Kahn and Lehmann 1991), and, in general, it is more likely that consumers will find the item they desire. More offerings in a category, however, can be costly both for the retailer and the consumer. From the viewpoint of the retailer, cutting out 20% of the most inefficient items from its assortment can mean savings of several million dollars per year for a large chain. From the viewpoint of the consumer, researchers like Greenleaf and Lehmann (1995), Tversky and Shafir (1992) and Iyengar and Lepper (2000) argue that increasing the choice set leads to cognitive overload and uncertainty and can actually decrease the likelihood of purchase. In recent years, therefore, researchers have focused on how consumers perceive an assortment and whether and how actual assortment can be reduced without adversely affecting consumer perceptions.

Kahn and Lehmann (1991), Hoch, Bradlow, and Wansink (1999), and Boatwright and Nunes (2001) highlight, for example, the importance of uniqueness or differences in attribute levels among items, with greater uniqueness being associated with greater perceived variety in assortment. Kahn and Wansink (2004) show that the organization and symmetry of an assortment moderate the impact of actual assortment variety on perceived variety and consumption, with organized and asymmetric assortments having a more positive effect.

Broniarczyk, Hoyer, and McAlister (1998) find that SKU reduction does not lower consumers' perceptions of assortment much unless their favourite item is dropped or the total amount of space devoted to the category is reduced. Further, a moderate decrease in number of SKUs can actually increase consumers' perceptions of assortment as long as their favorite item and total category space are maintained. Dreze, Hoch, and Purk (1994) and Boatwright and Nunes (2001), do find that aggregate sales actually increase when less popular SKUs are deleted.

In summary, greater perceived assortment does influence store image, store choice, and satisfaction with the store, but a greater number of SKUs need not directly translate to better perceptions. Retailers can reduce the number of SKUs substantially without adversely affecting consumer perceptions, as long as they pay attention to the most preferred brands, the organization of the assortment and the availability of diverse product attributes.

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Caselet: The multiplex multiplier effect

A proud Jawaharlal Nehru once described the steel mills as the "new temples" of modern India. To the present generation of young Indians, the new temples are the multiplexes and malls that are mushrooming all over the country, including smaller cities and towns. Should we feel proud or guilty for these new places of pilgrimage?

Who is benefiting from these developments? Are the gains going only to a small section of affluent Indians — the so-called "creamy layer" of the society?

Consider the consumer gains first. The direct gains to consumers from shopping malls and multiplexes are obvious. These accrue in the form of wider choice, standardised quality, convenience and more comfortable shopping and viewing environment. In some cases, one is also getting lower prices, which result from economies of scale, sourcing from the cheapest suppliers and cutting out middlemen from the supply chain. The consumers clearly benefit.

Who are these consumers?

They are certainly not the people below or just above poverty line. So, clearly the really poor people are not gaining anything as consumers. But, then, the question is: Would these poor people be better off if shopping malls and multiplexes are not allowed to proliferate?

The point is these malls and multiplexes are not being built by public money. Hence, no diversion of government funds takes place from programmes meant for the poor. The problems of the really poor in India are that foodgrains do not reach the ration shops in distant villages. Doctors and medicines are not available in rural health centres, the quality of education in village primary schools is very poor and so on.

These are clear cases of government failures. We need a reoriented government machinery to improve the delivery and the quality of public services provided to the less privileged. It is not the responsibility of the private sector. Private sector money would not go to build health centres or primary schools in villages, even if they are not permitted to build shopping malls. In that sense, it is immaterial for the poor whether more multiplexes and malls come up or not.

Gains for ordinary people

However, there are many other ways by which very ordinary people gain from multiplexes and malls — mainly as workers or suppliers of goods and services.

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Ask any worker in small shops. Given the choice, he would rather work in big chains, or malls such as Pantaloons and Lifestyle. For the simple reason that they would offer better wages and better working conditions. Development means people graduating from lower paid jobs to higher-value jobs over time. More multiplexes and malls will expand such job opportunities to a larger number of people.

Despite their glitzy appearances, multiplexes and malls are highly labour-intensive. They need shop floor attendants, security personnel, parking space attendants, maintenance staff (such as electricians, plumbers, floor cleaners). The foodstalls in the multiplexes and malls create many new jobs, mostly low skill. These require just a school degree or in some cases even less. Many of these workers are coming from very ordinary families. Then there are the employment and income gains from the additional construction activity for building new multiplexes and malls. Construction and real-estate development is a highly labour-intensive activity. So, a lot of ordinary low-skill workers will gain directly and indirectly.

Loss for small grocery shops?

But how about the potential job loss for local small shops, grocery stores and food and vegetable vendors? India is not an integrated homogeneous market — it is a hierarchy of markets catering to people at many different income levels and tastes. For example, here both Sony and Santosh, Lays Chips and home-made 'wafers' coexist, catering to different market segments at different prices. Therefore, entry of branded sophisticated products affects the unbranded mass market only marginally. Moreover, in big malls where major retail chains set up shop, typically there also are many small outlets and boutiques. A large number of buyers would also be attracted to such small stores. As for the street-corner shops, they have some advantages over big stores located miles away. In India, transportation and parking are big problems. It is more convenient and cost-effective for people to purchase many of their daily requirements from the local stores. Hence, the street-corner shops can very well survive. Most people would still prefer to buy fresh fruits, vegetables, fish and meat from the local vendors, because those would be fresher.

Boon for farmers

To the extent the big retailers establish a direct linkage with the farmers by cutting out many layers of middlemen, develop the processing facilities and export the products to meet their global requirements, farmers would get better prices and bigger markets while the consumers would benefit in terms of lower prices, better quality and greater variety. The resultant rural prosperity may open up markets for other industrial goods and may help a more balanced regional development and more job creation in other sectors.

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Consumerism ahoy!

Some complain that the growth of multiplexes and malls are encouraging unhealthy "consumerism". Consumerism always existed, only it was the luxury of the affluent. Now, a larger number of people are able to access a much greater variety of quality consumer goods at affordable prices. What is wrong with that?

Unlike in the past, limited domestic savings is not a problem for India today. Foreign savings are pouring in. What is needed now is more consumption expenditure, which in turn would create more demand, more production, more jobs, more income and more investment in additional capacity creation.

To the extent multiplexes and malls are encouraging additional consumption, it is helping the growth of jobs and income for a large number of ordinary people.

Diverse economy

Basically, the co-existence of shining multiplexes and malls and local shops and dirty cinema halls is a reflection (or effect) of the highly unequal income distribution. But they are not the cause of bad income distribution. Hence, banning multiplexes and malls would not spread the fruits of development any better.

In a fast growing economy, big retailers and small shops can both prosper. India is the second fastest growing big economy in the world. Today, despite the fact that more people are buying cars, the market for two-wheelers is not shrinking. Nor the market for bicycles.

With generation of more incomes and their multiplier effects, more people are switching from walking to bicycles, bicycles to scooters, and scooters to cars. This is development for all. The same holds good for multiplexes and malls.

Even when there is some diversion of business from local shops to shopping malls, it would be substitution of better jobs for inferior ones. Despite some short-run adjustment costs (as in the case of automobiles replacing horse-driven cars) multiplexes and malls would be the facilitators of development for all in the longer run. So, one need not feel bad building and visiting the new "temples".

Source: *http://www.thehindubusinessline.in/bline/2006/09/27/stories/2006092700041000.htm*

3.7 MALL MAINTENANCE MANAGEMENT

As any property manager knows, the success or failure of a shopping centre can be determined by its physical condition.

From the moment a customer pulls into the parking lot to the time he or she enters a particular store, the image that the mall presents can determine whether the shopper makes a return trip. If the parking lot is full of potholes, the landscaping is dying, and

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water is leaking through the roof, the customer will leave with a negative perception of the mall, regardless of whether the retail experience was pleasant.

In this era of high competition, where several Centres in a given market might be competing for the same customers, managers understand that every effort must be made to present a positive image to the visitor. In the words of one ad slogan, "Image is everything," and this applies to shopping Centres as much as to anything else. However, upholding that image can be expensive, with the result that maintenance is often the largest shopping Centre operating expense. Many have responded by outsourcing maintenance and other responsibilities to service providers in a number of areas, including asphalt, roof, landscaping, HVAC and floor maintenance.

With budgets getting tighter, service providers have also been forced to come up with imaginative ways to offer the same services that malls have come to expect at lower prices than before.

Mall maintenance management refers to the management of facilities provided to the tenants within the mall. This includes provision of adequate power supply, safety issues in case of emergency and miscellaneous issues related to signage, water supply, sanitation, etc. These form an integral part of mall management as they are the basic amenities that any tenant would look for in a mall.

It also includes maintenance of parks, fountains and overall look of the mall. A mall is not just a place for shopping but is also a place where people spend their leisure time. Favourable, lush green landscaping with seating facilities and the presence of food and beverage inside or outside the mall can increase foot traffic. It also includes managing foot traffic into the mall and parking facilities. Foot traffic management involves crowd management inside the operational area of a mall. The flow of people is related to the design of the mall and the spatial distribution of its tenants. For example, a star-shaped mall tends to have a problem of crowding in the centre of the mall, as everyone has to pass through the centre while moving from one side to the other. Circular malls, on the other hand, would not have this problem. They tend to have better pedestrian flow and less congestion. Managing parking facilities includes provision of ample parking and manoeuvring of cars in the parking lot.

Scope of Shopping Mall Maintenance

- Remove debris from landscape pots and planters.
- Sweep and clean entrances.
- Clean and remove smudges from entry door glass.
- Clean and polish entry handles, sills, doorplates and metal rim.
- Dust and clean baseboards, ledges and exit signs.
- Clean glass, wood or metal doors, and doorjambs.
- Empty ashtrays and clean sand urns, fill sand as needed.
- Clean and sanitize water fountains.
- Spot clean and vacuum carpets.

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- Sweep, dust mop and damp mop floors.
- Complete floor care, including stripping, sealing, waxing and burnishing.
- Report burned out lights to management and replace as needed.
- Restroom cleaning and sanitization.
- Secure all doors and turn off appropriate lights upon completion of work.

Services provided may differ according to the contract. Custom services available upon request to the service providers. The following is the list of facilities and services which seems very important in mall management.

List of Facilities and Services in Mall Maintenance

Facilities	*Services*
• Auditoriums	• Carpet Cleaning
• Buses	• Daily, Weekly or Monthly
• Cafeterias	• Dry and Wet Mopping
• Classrooms	• Dusting, High and Low
• Clean & Sterile Rooms	• Fire Restoration
• Coffee Rooms	• Floor Stripping, Buffing, Burnishing
• Common Areas	• Glass Partition Cleaning
• Computer Rooms	• Graffiti Removal
• Conference Rooms	• Hard Surface Floor Care
• Dormitories	• High Pressure Cleaning
• Elevators and Escalators	• Light Fixtures
• Executive Offices	• Maid Services
• Gym	• Post-Construction Clean-Up
• Homes	• Weekly or Monthly
• Kitchens	• Sanitation / Sanitizing
• Laboratories	• Stone, Marble & Tile Cleaning
• Laundry Rooms	• Sweeping
• Lobbies	• Trash Collection (Contract Only)
• Manufacturing Facilities	• Upholstery Care and Cleaning
• Rest Rooms	• Vacuuming
• Offices	• Vertical And Horizontal Blinds
• Retail Stores	• Wall Covering Care and Cleaning
• Stairs	• Water Damage Clean-Up
• Warehouses/Storage Areas	• Window Washing (Contract Only)

A simple retail store which sells products of daily use even need maintenance then why not a retail mall. They require maintenance at each and every stage. There are

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lots of services which are provided by those who maintain malls. This is now a very attractive business.

Shops by their very nature may have been subject to crime from inception. More from the staff and the supplier side, such was the structure. Not forgetting the shopkeeper short measure being of note.

Retailers must understand the procedure in place for dealing with a theft, or other criminal activity. The assistance available, do not under estimate the offender. Knife and weapon carrying is common. Enquire of the availability of stab-proof vests or other equipment that may assist you. Know your CCTV points and stick to radio procedures. Ask for immediate CCTV coverage if you suspect anything (if available). It is possible to be aware of only one offender—when there may be an unknown number with them. Do not stand in front of any vehicle to force it to stop.

3.8 STORE/MALL ANCHOR

Anchor stores are larger department stores that are used to provide a major point of interest for a shopping mall or centre. Sometimes referred to as a draw tenant or key tenant, an anchor store is usually a well-known chain store that is popular with consumers. The presence of an anchor store can entice consumers to visit the shopping centre or mall, and continue to shop at the smaller stores in the complex after visiting the anchor store.

The idea of an anchor store predates the establishment of shopping malls in the middle of the 20th century. Prior to that time, the concept of the shopping centre usually included one key store or tenant that could draw consumers to visit the centre. The expectation was that the smaller stores in the centre would sell goods and services that were complimentary to but not in competition with the goods and services offered by the anchor store. As a result, consumers could possibly complete their shopping without having to spend hours travelling from one part of town to another.

With the advent of the shopping malls during the 1940s and 1950s, the idea of the anchor store and its value to a shopping venue was expanded. Instead of including one anchor store in the venue, malls began to be constructed with a minimum of two anchor stores. With an anchor tenant at each end of the mall, smaller retailers would occupy storefronts that connected the two anchors. A shopper may enter the mall at one anchor store, then shop at the smaller stores while on the way to the anchor store at the opposite end of the mall.

The departure of a key tenant such as an anchor store is often the first sign of the decline of a shopping mall. Without the larger stores to help maintain consumer interest, the smaller stores usually begin to seek retail space in other malls or centres as soon as possible. Once the anchor stores and most of the smaller retail outlets have left the facility, it is usually referred to as a dead mall.

A typical anchor would be a convenience store like 7-Eleven or other mini-mart. At the other end of the size spectrum are super off-price malls that consist of a large

variety of value-oriented retailers, including factory outlet stores, department store close-out outlets, and category killers in an enclosed megamall (up to 2 million square feet) complex.

A shopping centre is an attached row of stores or service outlets managed as a coherent retail entity, with on-site parking usually located in front of the stores. Open canopies may connect the storefronts, but a strip centre does not have enclosed walkways linking the stores. This centre may be configured in a straight line, or have on "L" or "U" shape.

- ***Neighborhood Centre:*** This centre is designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighborhood. According to ICSC's SCORE publication, roughly a supermarket anchors half of these centres, while about a third has a drugstore anchor. Stores offering drugs, sundries, snakes and personal services support these anchors. A neighborhood centre is usually configured as a straight-line strip with no enclosed walkway or mall area, although a canopy may connect the storefronts.
- ***Community Centre:*** A community centre typically offers a wider range of apparel and other soft goods than the neighborhood centre does. Among the more common anchors are supermarkets, super drugstores, and discount department stores. Community centre sometimes contains off-price retailers selling such items as apparel, home improvement/furnishings, toys, electronics or sporting goods. The centre is usually configured as a strip, in a straight line, or L or U shape. Of the eight centre types, community centres encompass the widest range of formats. For example, certain centres that are anchored by a large discount department stores refer to themselves are discount centres. Others with a high percentage of square footage allocated to off-price retailers can be termed off-price centres.
- ***Regional Centre:*** This type of centre provides general merchandise (a large percentage of which is apparel) and services in full depth and variety. Its main attractions are its anchors: traditional, mass merchant, or discount department stores or fashion specialty stores. A typical regional centre is usually enclosed with an inward orientation of the stores connected by a common walkway and parking surrounds the outside perimeter.
- ***Super-regional Centre:*** Similar to a regional centre, but because of its larger size, a super regional centre has more anchors, a deeper selection of merchandise, and draws from a larger population base. As with regional centres, the typical configuration is as an enclosed mall, frequently with multi-levels.
- ***Fashion/Specialty Centre:*** A centre composed mainly of upscale apparel shops, boutiques and craft shops carrying selected fashion or unique merchandise of high quality and price. These centres need not be anchored, although sometimes restaurants or entertainment can provide the draw of anchors. The physical design of the centre is very sophisticated, emphasizing a rich decor and high

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quality landscaping. These centres usually are found in trade areas having high-income levels.

- ***Power Centre:*** A centre dominated by several large anchors, including discount department stores, off-price stores, warehouse clubs, or "category killers," i.e., stores that offer tremendous selection in a particular merchandise category of low prices. The centre typically consists of several freestanding (unconnected) anchors and only a minimum amount of small specialty tenants.
- ***Theme/Festival Centre:*** These centres typically employ a unifying theme that is carried out by the individual shops in their architectural design and, to an extent, in their merchandise. The biggest appeal of these centres is to tourists; restaurants and entertainment facilities can anchor them. These centres, generally located in urban areas, tend to be adapted from order, sometimes historic, buildings, and can be part of mixed-use projects.
- ***Outlet Centre:*** Usually located in rural or occasionally in tourist locations, outlet Centres consist mostly or manufacturers' outlet stores selling their own brands of a discount. These centres are typically not anchored. A strip configuration is most common, although some are enclosed malls, and others can be arranged in a "village" cluster.

3.9 FOOD COURT

A shopping mall food court consists of food vendors offering a selection of food. At a typical food court, food is ordered at one of the vendors and then consumed at a seating area, which is normally a plaza surrounded by the counters of the multiple food vendors.

Most modern shopping malls provide visitors with amenities such as public restrooms, information kiosks, and gift wrapping services and supervised child care. One of the most popular communal elements of a shopping mall, however, is a collection of diverse restaurants known as a food court. This area provides mall visitors with an

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array of eateries, from local franchises to specialized chains. Venues typically operate side-by-side, with a centralised communal dining area to accommodate customers.

A food court is generally located near one of the larger "anchor stores" in a shopping mall, or else in a location convenient for truck deliveries. The location tends to make it a destination point, encouraging shoppers to browse smaller stores and kiosks along the route. While some specialty food vendors may rent more centralised spaces, most full-service restaurant owners prefer the pool of potential customers created in a food court.

Although many shopping malls have full-service theme restaurants elsewhere, the food court offers customers the opportunity to sample many different styles of fast food. One spouse may want Chinese food, for example, while the other may have a preference for Italian food. Children often want different types of food than their parents, so this feature allows each family member to purchase different meals at different locations and still eat together in a communal dining area.

Food vendors who offer exotic or international entrees often find it easier to operate a smaller outlet at a food court rather than invest in a standalone building or independent restaurant elsewhere in the mall. Customers are often more willing to sample unusual or ethnic foods when all of the options are grouped together. It is not unusual for employees to offer free samples of their products to potential customers walking through the area.

A mall food court may also offer specialty foods such as gourmet cookies, fruit smoothies, coffee drinks, soft pretzels or premium ice cream. These specialty stores may not attract many customers on their own, but when located next to other restaurants, their sales tend to increase significantly. Individual eateries tend to benefit from a type of synergy, as customers of one venue seek out side dishes, desserts or beverages from another.

Some popular chain restaurants offer customers the same menu items found in their larger stores, but others may offer a more restricted menu because of limited storage or preparation space. Many food court restaurants also limit their offerings to items that can be served in a short amount of time, such as sandwiches, fried side items and pre-baked goods. Condiments, disposable utensils, napkins and other items are generally located in a service line designed for efficient fast food service.

A food court is often one of the most popular destinations for casual shoppers who want to spend several hours in a bustling shopping mall. It may also be the only local outlet for certain specialty or ethnic foods, which creates a different kind of attraction for restaurant owners.

3.10 ENTERTAINMENT MULTIPLEX

Entertainment, along with shopping, is the name of the game for malls these days. So, a trip to the mall means a little shopping, something to eat, then catch a movie. And some malls do the entertainment thing better than others.

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Modern days shopping centre is a concentration of retail, service, and entertainment enterprises designed to serve the surrounding region. The modern shopping centre differs from its antecedents—bazaars and marketplaces—in that the shops are usually amalgamated into one encompassing structure.

To lure customers away from their deepening love affair with online shopping, the big retail centres are trying to add more "shoppertainment." Retailers are driven to provide a more dynamic environment. New activities range from fishing in stocked ponds to riding a Ferris wheel to playing interactive games. This new cutting edge facility marks yet another innovative landmark that is set to strengthen the mall's entertainment offer.

Shopping centres and malls are adding everything from rock climbing and miniature golf to restaurants, megaplexes and live singers in an effort to draw in the public. These entertainment elements are becoming an increasingly important way to interest adults and children and boost revenues. Increasingly, entertainment is very important to the total mix at shopping centres. Activities for children, such as kiddie rides and arcades, also improve the environment. Children want to go to the mall and it's a safe environment for parents to bring their children to. That helps the centre as a whole.

Entertainment consumption is a common activity in the shopping centre environment. A shopping centre caters to a diversity of shopper segments including the convenience shopper and the entertainment shopper. Shopping centre entertainment can be classified into three categories, namely special event entertainment, specialty entertainment and food entertainment. The key distinction between these entertainment categories is their length of operation. For example, special event entertainment is offered on an occasional, temporary and discrete basis and includes events such as fashion shows and celebrity signing. Conversely, specialty entertainment and food entertainment contribute to the more permanent tenant mix of a shopping centre. Specialty entertainment involves movie theatres and video arcades, while food entertainment includes a range of eateries, cafés or restaurants. A shopping mall food court consists of food vendors offering a selection of food. At a typical food court, food is ordered

at one of the vendors and then consumed at a seating area, which is normally a plaza surrounded by the counters of the multiple food vendors.

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Entertainment consumption is a form of hedonic activity at the shopping centre, and thus its primary evaluation should be on affective experiences, such as enjoyment and excitement. However, functional attributes of shopping mall entertainment, such as the variety of eateries will also have an impact on shopper satisfaction.

Night markets or night bazaars are street markets operating at night that are generally dedicated to more leisurely strolling, shopping, and eating than more businesslike day markets. Taiwan hosts numerous night markets in each of its major cities. The larger and more formal of these markets might take place in purpose-built marketplaces while smaller or more informal ones tend to occupy streets or roads that are normal thoroughfares by day. Although some of these markets are specialised (e.g., in certain types of food), most have a mixture of individual stalls hawking clothing, consumer goods, xiaochi (snacks or fast food), and specialty drinks.

3.11 ROUND-THE-CLOCK OPERATION

The term round-the-clock operation means the malls and stores are under operation for 24/7. With so many players fighting for the same slice of a limited pie, the situation seems more chaotic than rosy. Some believe that there is no way so many malls are going to survive, while those who established themselves early may fare better. Being open 24 hours will amount to even more competition. What is intriguing is that how the infrastructure will cope with it. Increased security, more staff, increased police patrolling are key requirements. The residents are not really hopeful of fool-proof security. "The pace of infrastructure development and the response of authorities have not been encouraging till now. Keeping the malls open round-the-clock is a decision and should be backed with adequate measures."

One bold example of this round-the-clock operation is the Singapore's Mustafa Centre. It is round-the-clock. It gets custom. Singapore is shoppers' paradise. The tourists just pore in there. Hats off to the nation's tourism infrastructure, though expensive by Asian standard! The law and order situation is quite fine. The time-hard pressed visitors do not mind shopping at odd hours in the night. Actually, they visit all tourist attractions by the day and land down on the Mustafa Centre by the night for their shopping. It is a good strategy too. Visitors friendly! You know Mustafa Centre is located in the heart of the city surrounded by many hotels.

The establishment cost (manpower, electricity and other consumables) must be higher by about 40%. But the shop image created is quite enormous and every visitor waits for the repeat opportunity to visit next time he/she happens to visit Singapore. The word of mouth promotion is also having enormous positive impact. Fortunately, there is no competitor in the nearby vicinity to try this practice. You know most malls in world's big cities are open upto 12 midnight. Just 8 more hours of operation makes you 24 hour-open. That is fine.

3.12 STORES Vs MALLS

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Malls and department stores are not the same as everyone knows. A mall has a bigger environment whereas a department store is only a small place comparatively. A department store is a place where more residential and personal things are sold. It is just a single retail business establishment. A mall can be said to be a complex of buildings with shops selling a variety of merchandise. One of the specialties of a mall is that various things can be bought at the same place.

It is also said that a department store can be accommodated in a mall whereas a department store cannot accommodate a mall. There are also lots of parking places in malls. In a mall, shoppers can go from one building unit to another through the walkways. But such walkways are not seen in department stores as they are just single units.

When talking about malls, they are known by different names in different countries, such as, town centres, shopping precincts, and shopping centres. Department stores are not known by any other names.

A department store can be part of a retail chain of stores. They sell products, such as, home appliances, apparel, furniture, electronics, fashion jewellery, cosmetics, and the like. Generally, a mall is not part of any retail chain. One single unit houses all products at the same place.

The modern malls were developed since the 1920s. Shopping malls began to flourish with the increase of suburban living. On the other hand, department stores have a long history in many countries.

The following points summarize the differences between stores and malls:

- A mall has a bigger environment whereas a department store is only a small place.
- A department store is a place where more residential and personal things are sold. It is just a single retail business establishment.
- A mall can be said to be a complex of buildings with shops selling a variety of merchandise.
- A department store can be accommodated in a mall whereas a department store cannot accommodate a mall.
- Various things can be bought at the same place in a mall.
- In a mall, shoppers can go from one building unit to another through the walkways. Such walkways are not seen in department stores as they are just single units.
- A department store can be part of a retail chain of stores. Generally, a mall is not part of any retail chain.
- When speaking of malls, they are known in different names in different countries, such as, town centres, shopping precincts, and shopping centres. Department stores are not known by any other names.

Screen wars – Multiplex chains plan an invasion of South

South India, the last bastion of single screen theatres, may fall soon. An invading army of multiplex operators is looking to change the screen mix in the land of movie buffs.

A FICCI-KPMG report notes that unlike the rest of India, south Indian market continues to be dominated by single screens. Mr. Abirami Ramanathan, President, Tamil Nadu Theatre Association, echoes this. He says, "At present there are practically no multiplexes in Kerala while Andhra Pradesh is slowly catching up."

Chennai is the exception with 20 multiplexes in the city alone and another 5–6 nearing completion, he says.

But all that could change if you look at the plans of multiplex chains. Right from PVR to Cinepolis to Cinemax to Inox, everyone's looking to expand in the south.

PVR Cinemas plans to open 75 screens in Andhra Pradesh, Kerala, Karnataka and Tamil Nadu in the next one-and-a-half years. Cinepolis is opening 20–30 screens in the southern region by the end of this fiscal year, according to Mr Deepak Marda, Joint Managing Director, Cinepolis India.

Inox too is in the process of opening five screens in Madurai and a few more in Andhra Pradesh and Karnataka within the current financial year.

Cinemax is adding one multiplex in Bangalore by the end of this fiscal, one multiplex in Hyderabad in a mont's time and another in Chennai in the next six months. Mr Sunil Punjabi, CEO, Cinemax India Ltd says, "Two years back, southern markets would contribute to only 10 per cent of our revenue. Today it is 25 per cent, slated to grow to 35 per cent by next fiscal."

Till now, the spread of multiplexes in the south had not happened as there were not enough malls. Mr. Ashesh Jani, Partner, Deloitte Haskins and Sells (Media), explains, "Mall builders so far had concentrated in northern and western India."

But, as Mr. Pramod Arora, Group President, PVR points out, "Now, the southern market is opening up with several new mall developments and real estate opportunities for multiplexes to expand."

The changing consumption pattern of cine goers down South is also fuelling the demand for multiplexes. Mr Jani points how the single screen format worked fine for the average movie goer in the south who watched the same regional content many times over. But now aspirations are changing – there are more Hollywood and Bollywood movies being watched.

Even as multiplex chains feel that next phase of growth may come from the south, analysts like Mr. Jehil Thakkar, Head of Media and Entertainment, KPMG, warn about regulatory challenges. "There is a price cap on ticket prices in Tamil Nadu

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Check Your Progress

Fill in the Blanks

4. ……………… is the application of marketing techniques to a specific product, product line, or brand.
5. ……………… refers to the management of facilities provided to the tenants within the mall.
6. A ……………… typically offers a wider range of apparel and other soft goods than the neighborhood centre does.
7. ……………... induced store switching. The third research area studies whether retailer price promotions result in store switching by consumers.

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and Andhra Pradesh. Additionally, the strong performance of regional cinema in single screen theatres has not incentivised the government to encourage multiplexes."

According to a KPMG report, the industry is expected to double the multiplex screens over the next five years, taking the total tally to over 2,200 screens by 2016 to shorten the recovery cycle of cash flows and mitigate the risk of piracy.

Source: *http://www.thehindubusinessline.com/industry-and-economy/marketing/screen-wars-multiplex-chains-plan-an-invasion-of-south/article3300727.ece*

3.13 SUMMARY

- A mall can refer to a place where a collection of shops all adjoins a pedestrian area, or an exclusively pedestrian street, that allows shoppers to walk without interference from vehicle traffic.
- A shopping mall or shopping Centre is a building or set of buildings that contain a variety of retail units, with interconnecting walkways enabling visitors to easily walk from unit to unit.
- The concept of retail as entertainment came to India with the advent of malls. Mall fever has touched every facet of Indian society. Whatever is the income stratum of consumers, malls make no distinction in proffering most-revered national and global brands. Shopping mall refers to a set of homogenous and heterogeneous shops adjoining a pedestrian, or an exclusive pedestrian street, that make it easygoing for shopper to walk from store to store without interference from vehicular traffic.
- A lease is a legal document, but can be an oral arrangement, which confers a right on one person (called a tenant or lessee) to possess property belonging to another person (called a landlord or lessor) to the exclusion of the owner landlord.
- Tenant mix is 'a combination of factors, including the proportion of space or number of units occupied by different retail/service types, as well as the relative placement of tenants in the centre'. And a 'good tenant mix' is a variety of stores, which work together to enhance the Centre's performance and operate successfully as individual businesses.
- Brand management is the application of marketing techniques to a specific product, product line, or brand. It seeks to increase the product's perceived value to the customer and thereby increase brand franchise and brand equity.
- Mall maintenance management refers to the management of facilities provided to the tenants within the mall. This includes provision of adequate power supply, safety issues in case of emergency and miscellaneous issues related to signage, water supply, sanitation, etc. These form an integral part of mall management as they are the basic amenities that any tenant would look for in a mall.

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- A shopping mall food court consists of food vendors offering a selection of food. At a typical food court, food is ordered at one of the vendors and then consumed at a seating area, which is normally a plaza surrounded by the counters of the multiple food vendors.
- Entertainment, along with shopping, is the name of the game for malls these days. So, a trip to the mall means a little shopping, something to eat, then catch a movie. And some malls do the entertainment thing better than others.
- The term round-the-clock operation means the malls and stores are under operation for 24/7. With so many players fighting for the same slice of a limited pie, the situation seems more chaotic than rosy.

3.14 KEY TERMS

- **Shopping mall:** A shopping mall or shopping centre is a building or set of buildings that contain a variety of retail units, with interconnecting walkways enabling visitors to easily walk from unit to unit.
- **Lease:** A lease is a legal document, but can be an oral arrangement, which confers a right on one person (called a tenant or lessee) to possess property belonging to another person (called a landlord or lessor) to the exclusion of the owner landlord.
- **Tenant mix:** Tenant mix is 'a combination of factors, including the proportion of space or number of units occupied by different retail/service types, as well as the relative placement of tenants in the centre'.
- **Brand management:** Brand management is the application of marketing techniques to a specific product, product line, or brand. It seeks to increase the product's perceived value to the customer and thereby increase brand franchise and brand equity.
- **Mall maintenance:** Mall maintenance management refers to the management of facilities provided to the tenants within the mall.
- **Round-the-clock operation:** The term round-the-clock operation means the malls and stores are under operation for 24/7. With so many players fighting for the same slice of a limited pie, the situation seems more chaotic than rosy.

3.15 ANSWERS TO 'CHECK YOUR PROGRESS'

1. A mall can refer to a place where a collection of shops adjoins a pedestrian area, or an exclusively pedestrian street, that allows shoppers to walk without interference from vehicle traffic.
2. A lease is a legal document, but can be an oral arrangement, which confers a right on one person (called a tenant or lessee) to possess property belonging to another person (called a landlord or lessor) to the exclusion of the owner landlord.

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3. A periodic tenancy, also known as a tenancy from year to year, month to month, or week to week, is an estate that exists for some period of time determined by the term of the payment of rent.
4. Brand management
5. Mall maintenance management
6. Community Centre
7. Price promotion

3.16 QUESTIONS AND EXERCISES

Short Answer Questions

1. What do you mean by a shopping mall?
2. State the meaning of tenancy at will.
3. Define brand management.
4. State the meaning of cross-category assortment.
5. What is the meaning of mall maintenance?
6. What do you mean by the round-the-clock operation?
7. What are the entertainment multiplexes?
8. State the two differences between a store and mall.

Long Answer Questions

1. Discuss the rising trends of stores and malls.
2. What are the different forms of tenancies?
3. Discuss the concept of tenant mix. What are the key issues and rules of tenant mix?
4. Discuss the importance and scope of retail store branding.
5. Define mall maintenance. Discuss the nature and scope of mall maintenance management.
6. Discuss the key trends in food court and entertainment multiplexes.
7. Discuss the concept of within-category assortment.
8. What is the economic importance of retail tenant mix?

UNIT 4 OPERATIONAL EFFICIENCIES

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Structure

4.0 INTRODUCTION

Every retailer who works with long-term goals and strategies needs to manage its financial and operational performance in the best possible way. This facilitates the retailer in achieving the objectives of the firm in the most efficient manner. The retail firm requires managing its operations well to provide satisfaction to its customers, employees and the management. In this unit, you will learn the financial performance like planning for profits, asset management, and resource allocation; as well as operational aspects like inventory management, credit and cash management and outsourcing that affect operational performance.

4.1 UNIT OBJECTIVES

After going through this unit, you will be able to:

- Prepare business plans

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- Illustrate the concept of gross margin return on inventory investment (GMROII)
- Compute break-even level
- Prepare marketing strategy and promotional calendar
- Describe the concept of leadership, competitive edge and retailing research
- Explain employee training, empowerment, scheduling, motivation and meeting.

4.2 BUSINESS PLANS: MARK-UP AND MARK-DOWN

A business plan is a document used to detail plans for a start-up or existing business. This document is used to describe business goals and strategies, as well as provide a blueprint of financing and marketing plans. Essentially, it provides detailed information about where a company is going and how it will get there. Many experts consider such a plan critical to the success of a business.

Often, a business plan is required while seeking a business loan or investment capital. Investors and loan officials need to know what a business owner hopes to accomplish and the steps he or she plans to take to meet goals. Business plans help those in the position to loan money, determine whether or not a business is likely to succeed, based on information provided by the owner or owners. A company backed by a well-thought-out plan is a better loan or investment risk than one with a thrown together or incomplete plan.

A business plan contains information about the intention and goals of the company. It's created before a business opens. Business plans include research about, who the company's potential customers are as well as what their needs and wants are. A retail marketing strategy should be a part of the business plan. It should include decisions about the marketing mix approach, such as how customers will get the products.

For instance, a furniture company may choose a large warehouse, while a jewellry manufacturer may decide to sell only over the Internet. Other businesses may select a combination of a brick-and-mortar store for in person customer purchases plus a website for customer online shopping. All retail marketing strategy decisions should consider the target customer as well as the company's profit. For example, having an etail website rather than a retail store may save on overhead costs, but it won't be a profitable choice if the target customer isn't likely to shop online.

Profit planning is done on the basis of profit and loss statement. It is a statement which provides summary of major components of retailer's sales revenue and operational expenses for a month, quarter, and yearly basis. Based on the profit and loss statement the retailer is able to determine whether he is making profit or loss, and can take corrective steps to improve upon the expenses or revenue items by formulating new strategies and goals to reach the profitable state. By making

comparative analysis of profit and loss statements for the same period, the retailer is able to decide which elements of the revenue show growth. Similarly by comparing elements of operating and other expenses the retailer can identify those elements which show increase or decline, and accordingly decide on the actions to be taken in the coming period of time.

Retailers are always concerned with shrinking sales figures. The fact is that shrinking demand does not necessarily mean you must accept lower sales. Even with lower sales, you don't need to accept profit cuts. Let's take a look as some simple steps that can be taken to increase profits and sales. Remember, as a retailer, these are things that you must control.

Increase IMU (Initial Markup)

Everyone knows that retailing is easy. You just buy lots of merchandise and double the price and take all that money to the bank. Now that you have been in it for a long time, you found out it is not that easy. One thing that is still valid however is that to make money in retail, you must mark up the goods. The more markup the more profits if you can sell the goods. It is now more important than ever for the product of sales and Maintained Markup (MMU) to be maximized. While it is extremely important that action sports retailers stock an ample supply of consumer-recognised products, care must be taken to make sure that the Initial Markup (IMU) on those products are optimised. When the markup is too low, you are losing profits. When the markup is too high you are losing sales. Finding the markup that is just right is the key to successful retailing through this recession. This may be difficult to do when vendors pre-ticket merchandise with restricted IMU. For this reason, retailers must keep their eyes out for fresh new lines that are not widely distributed as well as increase their selection of private label merchandise. Another method of increasing IMU is to reserve a percentage of your projected monthly open-to-buy dollars for promotional goods.

The chart below shows how much additional profit could be generated with a modest 1% increase in IMU, resulting in an additional $1,000 additional profit for every $100,000 in sales.

Sales	**$100,000**	**$100,000**
Initial Markup on Purchases (IMU)	53.0%	54.0%
Increase in IMU %	>>>>>>	**1.00%**
Net Profit Dollars	$53,000	$54,000
Change in profit per $100,000 in Sales	>>>>>>	**$1,000**

This additional profit will offset lower sales, shrinkage, and provide additional revenue to cover the costs of operating your store.

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Reduce Markdowns

Not every item sells. Sometimes specific vendors, styles, colours, or sizes sell better than others. What doesn't sell must be reduced in price. Maintained Markup can be increased by properly controlling markdowns. For example, if markdowns are running at 20% of sales, imagine the impact on profits if markdowns were only reduced to 18% of sales. A simple 2% reduction in markdowns can increase your maintained markup by .92%, that's an additional $920 for every $100,000 in sales.

Sales	**$100,000**	**$100,000**
Initial Markup on Purchases (IMU)	54.0%	54.0%
Markdown %	**20.00%**	**18.00%**
Maintained Markup (Gross Profit Percentage)	44.80%	45.72%
Increase in MMU %	>>>>>>	**0.92%**
Net Profit Dollars	$44,800	$45,720
Change in profit per $100,000 in Sales	>>>>>>	**$920**

Managing markdowns is attainable by following some very basic retail principles. You must have a strategy and game plan for markdowns.

Changes in MMU (Maintained Markup)

Combining a 1% increase in IMU and a 2% decrease in markdowns, results in a MMU increase of 2.12% or an additional $2,120 profit for every $100,000 in sales.

Sales	**$100,000**	**$100,000**
Initial Markup on Purchases (IMU)	53.0%	53.0%
Markdown %	**20.00%**	**18.00%**
Maintained Markup (Gross Profit Percentage)	43.60%	45.72%
Increase in MMU %	>>>>>>	**2.12%**
Net Profit Dollars	$44,600	$45,720
Change in Profit per $100,000 in Sales	>>>>>>	**$2,120**

Retail Math

Initial Markup (IMU)

The initial markup is the difference between the cost of an item and its original selling price. The initial markup is sometimes referred to as markon and is represented as a % (percentage) for purposes of analysis.

Formula:

$$\text{Initial Markup \%} = \frac{\text{Original Retail} - \text{Cost}}{\text{Original Retail}}$$

Example :

Retail	S200
Cost	$92
Difference	$108

$$\text{Markup \%} = \frac{\$200 - \$92}{\$200} = \frac{\$108}{\$200}$$

$$= .54 \text{ or } 54\%$$

NOTES

Markdowns

A markdown is any reduction in the selling price after receiving the merchandise into inventory at the original selling price. Markdown % (percentage) = Markdown dollars divided by Net Sales. Net sales are defined as actual revenue received after the markdown is taken. Sales tax is never included in determining net sales.

Formula:

$$\text{Markdown \%} = \frac{\text{Net Sales}}{\text{Markdown Dollars}}$$

Example :

Net Sales	$100,000
Markdown Dollars	$18,000

$$\text{Markup \%} = \frac{\$18{,}000}{\$100{,}000} = .18 \text{ or } 18\%$$

Maintained Markup (MMU)

Maintained Markup is another way of saying gross profit on merchandise sold. If reflects how markdowns impact initial markup (IMU). Unlike cost accounting managerail accounting does not freight or shrinkage as a part of cost of goods sold. Therefore MMU is often higher on internal POS (point-of-sale systems) and professional merchandise plans than on a financial statement.

To determine MMU% is a 3 step proces:

1. Determine your Initial Markup (IMU) using the formula from above. Then calculate the cost compliment of this amount. (100 – IMU).
2. Calculate your Markdown % (percentage) using the formula above. Then calculate your markdown % at cost.
3. Subtract your Markdown at cost from your IMU.

Formula:	**Example:**
Step 1: 100 – IMU	**Step 1:** 100 – 54 = 46
Step 2: Markdown @ cost =	**Step 2:** .18 × 46 = 8.28
Step 3: IMU – Markdowns @ cost	**Step 3:** 54 – 8.28 = 45.72

In addition to the change in profit, you may also see your sales volume increase as the value of every item you sell has now increased in price.

Retail is the sum of doing many little things right. An added $2,120 per $100,000 in sales may not sound like a lot, but ask yourself how much merchandise you must sell to add that much cash to your pocket. Maybe there is an additional 3% or 7% of IMU potential not being identified. With the correct markdown strategy there could be an additional 5% or 10% markdown improvement.

Every classification or merchandise in your store has a different sensitivity to increasing IMU and reducing markdowns. Optimisation means getting the most from each classification on the bottom line. The opportunities can be truly enormous.

There are many small changes that can add up to big profits. The small changes can be the hardest to find. The many changes happening offer opportunities to the stores that can identify opportunities and adapt to the new environment in many small but meaningful ways.

4.3 GROSS MARGIN RETURN ON INVENTORY INVESTMENT (GMROII)

The gross margin return on inventory investment, known by the acronyms GMROI or GMROII, is a measure of the return on every rupee invested in inventory. Gross margin is defined as sales minus the cost of raw materials and labour to produce the goods sold. GMROI is an important financial ratio in retail because it provides a metric for the speed at which the inventory is turning or selling and the return on your investment.

Gross Margin

The first step is to calculate the gross margin, which is the gross profit expressed as a pereentage of sales. Gross profit is equal to sales minus cost of goods sold. Sales include products and services sold or provided during the accounting period, which could be a month, quarter or year. For example, if sales are ₹ 1 million for a three-month period and the cost of goods sold are ₹ 850,000, then the gross profit is ₹ 150,000 (1 million – 0.85 million) and the gross margin is 15 per cent: 100 × (₹ 150,000 / ₹ 1 million).

Average Inventory at Cost

The second step is to calculate the average inventory at cost. Inventory is a balance sheet account representing goods available for sale. The average inventory balance may be calculated by adding the beginning of the year balance and the end of the year balance and then dividing by two. However, this calculation could be misleading because some companies sell more in certain periods than others -- a retailer typically has higher inventories during the Christmas and back-to-school selling seasons than at other times during the year. Therefore, a better way to calculate average inventory is to sum the inventory balances from Dec. 31 of the previous year to Dec. 31 of the current year (13 months) or from Jan. 31 to Dec. 31 of the current year (12 months),

and then divide by 13 or 12, respectively, to get the average monthly inventory at cost.

Gross Margin Return on Investment

GMROI can be expressed as a percentage or a ratio. Expressed as a percentage, GMROI equals gross margin * (sales / average inventory at cost); expressed as a ratio, GMROI equals gross profit / average inventory at cost. Continuing with the example, if the average inventory at cost equals ₹ 100,000, GMROI equals 150 percent: 15 × (1 million / 100,000); in multiple terms, GMROI equals 1.5 (150,000 / 100,000).

Considerations

GMROI allows businesses to have the right level of inventory in their stores. If there is too much inventory of a certain product, it may mean that the product is not selling well; on the other hand, too little inventory may mean lost business. By knowing the relative GMROIs of different products or product families, businesses can manage their inventory levels better and drive gross profits higher. This does not mean replacing low-GMROI products with high-GMROI products because customers may want both, but rather to have the right inventory mix to maximise gross profitability.

4.4 BREAK-EVEN LEVEL

A business is considered to be sound if it includes consistency in earning profit while considering the various risks as well. A firm is faced with a number of uncertainties. These uncertainties are in terms of nature of consumer needs, the diverse nature of competition, the uncontrollable nature of most elements of cost and the continuous technological developments. The uncertainty about the pattern and extent of consumer demand for a particular product increases the degree of risk faced by the firm. The nature of competition is related to either product, price or to both simultaneously. Product competition is more important till the product reaches the stage of maturity. Price competition begins from the time the product is established and reaches the maturity stage. During the growth stage, the risk of obsolescence of a product and shortening of the product life cycle is more. The degree of risk involved in product competition is greater than in price competition. When the prices rise continuously, no firm can be certain of its internal cost structure. This is because it does not have any control over the prices of raw materials or the wages to be paid to the individuals. In course of time, continuous technological improvements may make production completely obsolete. If an improved process is available, a firm can restrict its risk by neglecting its fixed investment. If it does not have an access to the improved

processes, it may have to go out of business. Unless a firm is prepared to face the uncertainties, as a result of risk element, its profits will be changed. To plan for profits, a thorough understanding of the relationship of cost, price and volume is extremely helpful to business individuals.

The most important method of determining the cost-volume-profit relationship is Break-Even Analysis, also known as Cost Volume Profit (CVP) analysis. Break-even analysis involves the study of revenues and costs of a firm in relation to its volume of sales. It also includes the determination of that volume at which the firm's costs and revenues will be equal.

The Break-Even Point (BEP) may be defined as that level of sales at which total revenue is equal to the total costs and the net income is zero. This is known as no-profit no-loss point. The main objective of the break-even analysis is not simply to find out the BEP, but to develop an understanding between the relationships of cost, price and volume.

Determination of the Break-Even Point

It may be determined either in terms of physical units or in money terms. This method is convenient for a firm producing single products only. The break-even volume is the number of units of the product, which must be sold to earn revenue. This revenue should be enough to cover all expenses, both fixed and variable. The selling price of all units covers not only its variable cost but also leaves a margin called contribution margin to contribute towards the fixed costs. The break-even point is reached when sufficient number of units has been sold so that the total contribution margin of the units sold is equal to the fixed costs. The formula for calculating the break-even point is:

Break-Even Point = Fixed Costs / Contribution Margin per Unit

Where the contribution margin = Selling price – Variable costs per unit.

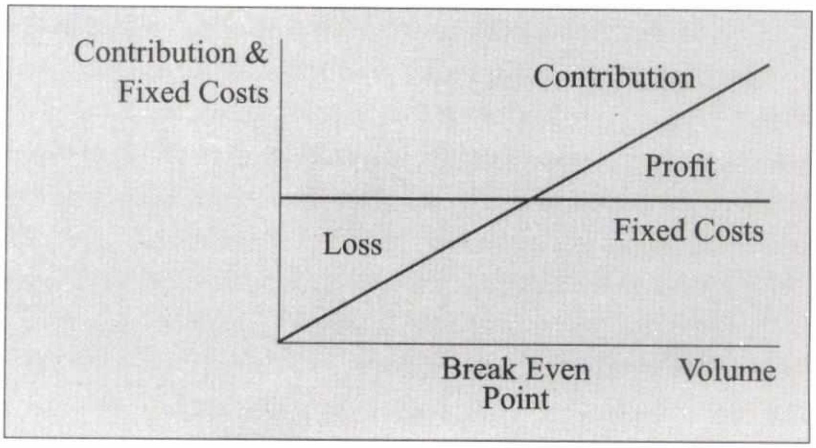

Fig. 4.1: Break-even Point

Multi-product firms are not in a position to measure the break-even point in terms of any common unit of product. It is convenient for them to determine their break-even point in terms of total dollar sales. The break-even point is the point where the contribution margin is equal to the fixed costs. The contribution margin is expressed as a ratio to sales.

Break-even Point as a Percentage of Full Capacity: Full capacity can be defined as the maximum possible volume attainable with the firm's existing fixed equipment, operating policies and practices. Break-even point is usually expressed as a percentage of full capacity. Considering the example, the full capacity of the firm is 1,00,000 units; the break-even point at 50,000 units can be expressed as 50 per cent of full capacity.

4.5 MARKETING STRATEGIES

Marketing strategy consists of the analysis, strategy development, and implementation activities in: "Developing a vision about the market(s) of interest to the organization, selecting market target strategies, setting objectives, and developing, implementing, and managing the marketing program positioning strategies designed to meet the value requirements of the customers in each market target".

Strategic marketing is a market-driven process of strategy development, taking into account a constantly changing business environment and the need to deliver superior customer value. The focus of strategic marketing is on organizational performance rather than a primary concern about increasing sales. Marketing strategy seeks to deliver superior customer value by combining the customer-influencing strategies of the business into a coordinated set of market-driven actions. Strategic marketing links the organization with the environment and views marketing as a responsibility of the entire business rather than a specialized function.

Because of marketing's boundary orientation between the organization and its customers, channel members, and competition, marketing processes are central to the business strategy planning process. Strategic marketing provides the expertise for environmental monitoring, for deciding what customer groups to serve, for guiding product specifications, and for choosing which competitors to position against. Successfully integrating cross-functional strategies is critical to providing superior customer value. Customer value requirements must be transformed into product design and production guidelines. Success in achieving high-quality goods and services require finding out which attributes of goods and service quality drive customer value.

Marketing Strategy Process

The marketing strategy analysis, planning, implementation and management process is described below. The strategic situation analysis considers market and competitor analysis, market segmentation, and continuous learning about markets.

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Designing marketing strategy examines customer targeting and positioning strategies, marketing relationship strategies and planning for new products. Marketing program development consists of product, distribution, price, and promotion strategies designed and implemented to meet the value requirements of targeted buyers. Strategy implementation and management consider organizational design and marketing strategy implementation and control.

Fig. 4.2: Marketing Strategy Process

Stage 1: Strategic Situation Analysis

Marketing management uses the information provided by the situation analysis to guide the design of a new strategy or change an existing strategy. The situation analysis is conducted on a regular basis after the strategy is under way to evaluate strategy performance and identify needed strategy changes.

Market Vision, Structure, and Analysis

Markets need to be defined so that buyers and competition can be analysed. For a market to exist, there must be (1) people with particular needs and wants and one or more products that can satisfy buyers' needs, and (2) buyers willing and able to purchase a product that satisfies their needs and wants. A product-market consists of a specific product (or line of related products) that can satisfy a set of needs and wants for the people (or organisations) willing and able to purchase it. The term product is used to indicate either a physical good or an intangible service.

Analysing product-markets and forecasting how they will change in the future are vital to business and marketing planning. Decisions to enter new product-markets, how to serve existing product-markets, and when to exist in unattractive product-markets

are critical strategic choices. The objective is to identify and describe the buyers, understand their preferences for products, estimate the size and rate of growth of the market, and find out what companies and products are competing in the market.

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Evaluation of competitiors' strategies, strengths, limitations and plans is also a key aspect of the situation analysis. It is important to identify both existing and potential competitors. Competitor analysis includes evaluating each key competitor. The analyses highlight the competition's important strengths and weaknesses. A key issue is trying to figure out what each competitor is likely to do in future.

Segmenting Markets

Market segmentation looks at the nature and extent of diversity of buyers' needs and wants in a market. It offers an opportunity for an organisation to focus in business capabilities on the requirements of one or more groups of buyers. The objective of segmentation is to examine differences in needs and wants and to identify the segments (sub-groups) within the product-market of interest. Each segment contains buyers with similar needs and wants for the product category of interest to management. The segments are described using the various characteristics of people, the reasons that they buy or use certain products, and their preferences for certain brands of products. Likewise, segments of industrial product-markets may be formed according to the type of industry, the uses for the product, frequency of product purchase, and various other factors.

Each segment may vary quite a bit from the average characteristics of the entire product-market. The similarities of buyers' needs within a segment enable better targeting of the organisation's capabilities to buyers with corresponding value requirements.

Continuous Learning about Markets

One of the major realities of achieving business success today is the necessity of understanding markets and competition. Sensing what is happening and is likely to occur in the future is complicated by competitive threats that may exist beyond traditional industry boundaries. For example, CD-ROMs compete with books.

Stage 2: Designing Market-Driven Strategies

The strategic situation analysis phase of the marketing strategy process identifies market opportunities, defines market segments, evaluates competition, and assesses the organization's strengths and weaknesses. Market sensing information plays a key role in designing marketing strategy, which includes market targeting and positioning strategies, building marketing relationships, and developing and introducing new products.

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Market Targeting and Strategic Positioning

Marketing advantage is influenced by several situational factors including industry characteristics, type of firm (e.g., size), extent of differentiation in buyers' needs, and the specific competitive advantage(s) of the company designing the marketing strategy. The core issue is deciding how, when, and where to compete, given a firm's market and competitive environment.

The purpose of the marketing targeting strategy is to select the people (or organisations) that management wishes to serve in the product-market. When buyers' needs and wants vary, the market target is usually one or more segments of the product-market. Once the segments are identified and their relative importance to the firm determined, the targeting strategy is selected. The objective is to find the best match between the value requirements of each segment and the organisation's distinctive capabilities. The targeting decision is the focal point of marketing strategy since targeting guides the setting of objectives and developing a positioning strategy. The options range from targeting most of the segments to targeting one or few segments in a product-market. The targeting strategy may be influenced by the market's maturity, the diversity of buyers' needs and preferences, the firm's size compared to competition, corporate resources and priorities, and the volume of sales required to achieve favourable financial results. Deciding the objectives for each market target spells out the results expected by management. Examples of market target objectives are desired levels of sales, market share, customer retention, profit contribution, and customer satisfaction. Marketing objectives may also be set for the entire business unit and for specific marketing activities such as advertising.

The marketing program positioning strategy is the combination of product, value-chain, price, and promotion strategies a firm uses to position itself against its key competitors in meeting the needs and wants of the market target, the strategies and tactics used to gain a favourable position are called the marketing mix or the marketing program.

Marketing Relationship Strategies

Marketing relationship partners may include end user customers, marketing channel members, suppliers, competitor alliances, and internal teams. The driving force underlying these relationships is that a company may enhance its ability to satisfy customers and cope with a rapidly changing business environment through collaboration of the parties involved. Relationship strategies gained new importance in the last decade as customers became more demanding and competition became more intense. Building long-term relationships with customers and value-chain partners offers companies a way to provide superior customer value. Although building collaborative relationships may not always be the best course of action, this avenue for gaining a competitive edge is increasing in popularity.

Strategic partnering has become an important strategic initiative for many well known companies and brands. Many firms outsource the manufacturing of their products.

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Examples include Motorola cell phones, Calvin Klein jeans, Pepsi beverages, and Nike footwear. Strong relationships with outsourcing partners are vital to the success of these powerful brands. The trend of the 21st century is partnering rather than vertical integration.

Planning for New Products

New products are needed to replace old products because of declining sales and profits. Strategies for developing and positioning new market entries involve all functions of the business. Closely coordinated new-product planning is essential to satisfy customer requirements and produce products with high quality at competitive prices. New-product decisions include finding and evaluating ideas, selecting the most promising for development, designing the products, developing marketing programs, use and market testing the products, and introducing them to the market.

The new-product planning process starts by identifying gaps in customer satisfaction. The differences between existing product attributes and those desired by customers offer opportunities for new and improved products.

Stage 3: Market-Driven Program Development

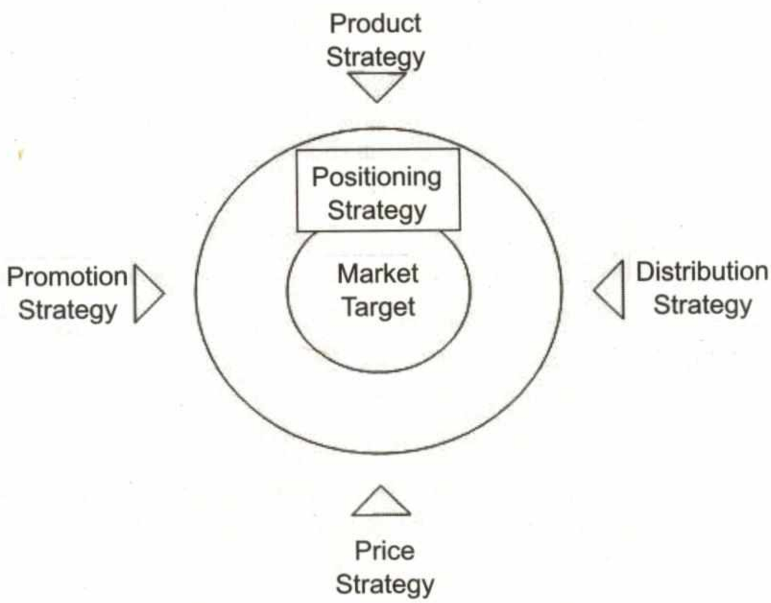

Fig. 4.3: Positioning Strategies

Market targeting and positioning strategies for new and existing products guide the choice of strategies for the marketing program components. Product, distribution, price, and promotion strategies are combined to form the positioning strategy selected for each market target.

The marketing program (mix) strategies implement the positioning strategy. The objective is to achieve favourable positioning while allocating financial, human,

and production resources to markets, customers, and products as effectively and efficiently as possible.

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Strategic Brand Management

Products (goods and services) often are the focal point of positioning strategy, particularly when companies or business adopt organisational approaches emphasising product or brand management. Product strategy includes: (1) developing plans for new products, (2) managing programs for successful products, and (3) deciding what to do about problem products (e.g., reduce costs or improve the product). Strategic brand management consists of building brand value (equity) and managing the organisation's portfolio for overall performance.

Value-Chain, Price, and Promotion Strategies

One of the major issues in managing program is deciding how to integrate the components of the mix. Product, distribution, price, and promotion strategies are shaped into a coordinated plan of action. Each component helps to influence buyers in their positioning of products. If the activities of these mix components are not coordinated, the actions may conflict and resources may be wasted. For example, if the advertising messages for a company's brand stress quality and performance, but salesperson emphasize low price, buyers will be confused and brand damage may occur.

Market target buyers may be contacted on a direct basis using the firm's sales force or by direct marketing contact (e.g., Internet), or instead, through a value-added chain (distribution channel) of marketing intermediaries (e.g., wholesalers, retailers, or dealers). Distribution channels are often used in linking procedures with end user household and business markets. Decisions that need to be made include the type of channel organization to use, the extent of channel management performed by the firm, and the intensity of distribution appropriate for the product or service. The choice of distribution channels influences buyers' positioning of the brand.

Price also plays an important role in positioning a product or service. Customer reaction to alternative prices, the cost of the product, the prices of the competition and various legal and ethical factors establish the extent of flexibility management has in setting prices. Price strategy involves choosing the role of price in the positioning strategy, including the desired positioning of the product or brand as well as the margins necessary to satisfy and motivate distribution channel participants. Price may be used as an active (visible) component of marketing strategy, or, instead, marketing emphasis may be on other marketing mix components (e.g., product quality).

Advertising, sales promotion, the sales force, direct marketing, and public relations help the organisation to communicate with its customers, value-chain partners, the public, and other target audiences. These activities make up the promotion strategy,

which performs an essential role in communicating the positioning strategy to buyers and other relevant influences. Promotion informs, reminds, and persuades buyers and others who influence the purchasing process.

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Stage 4: Implementing and Managing Market-Driven Strategy

Selecting customers to target and the positioning strategy for each target moves marketing strategy development to the action stage. This stage considers designing the marketing organisation and implementing and managing the strategy.

Designing Effective Market-Driven Organizations

An effective organisation design matches people and work responsibilities in a way that is best for accomplishing the firm's marketing strategy. Deciding how to assemble people into organisational units and assign responsibility to the various mix components that make up the marketing strategy are important influences on performance. Organisational structures and processes must be matched to the business and marketing strategies that are developed and implemented. Organisational design needs to be evaluated on a regular basis to assess its adequacy and to identify necessary changes.

Strategy Implementation and Control

Marketing strategy implementation and control consist of: (1) preparing the marketing plan and budget; (2) implementing the plan; and (3) using the plan in managing and controlling the strategy on an ongoing basis. The marketing plan includes details concerning targeting, positioning, and marketing mix activities. The plan spells out what is going to happen over the planning period, who is responsible, how much it will cost, and the expected results (e.g., sales forecasts).

The marketing plan includes action guidelines for the activities to be implemented, who does what, the dates and location of implementation, and how implementation will be accomplished. Several factors contribute to implementation effectiveness including the skills and commitment of the people involved, organisational design, incentives, and the effectiveness of communication within the organisation and externally.

Marketing strategy is an ongoing process of making decisions, implementing them, and tracking their effectiveness over time. In terms of its time requirements, strategic evaluation is far more demanding than planning. Evaluation and control are concerned with tracking performance and, when necessary, altering plans to keep performance on track. Evaluation also includes looking for new opportunities and potential threats in the future. It is the concerning link in the strategic marketing planning process. By serving as both the last stage and the first stage (evaluation before taking action) in the planning process, strategic evaluation assures that strategy is an ongoing activity.

Check Your Progress

1. Define initial mark-up.
2. What is gross margin?
3. What do you mean by breakeven point?

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Case Study of Procter & Gamble: Marketing of Scope Mouthwash

Scope was introduced in 1967 by Procter & Gamble, is a green mint tasting mouthwash, and was positioned as a great tasting mouth refreshing brand that provided bad breath protection. Scope held 32% share of the Canadian market for 1990. In 1970 Scope became the market leader in Canada, with many competitors, such as Listerine mouthwash that was launched by Warner Lambert in 1977 and it was a direct competitor to Scope, it had nearly the same characteristics as Scope with a 12% of the market share during that time. But the major competitor for Scope was Plax, a brand by Pfizer Inc, which was launched in Canada in 1988 on a platform quite different from the traditional mouthwashes, and gained a 10% share since launched. Plax detergents were supposed to help loosen plaque to make brushing effective. Before the entry of Plax, brands in the mouth wash market were positioned around two major benefits that are fresh breath and killing germs, whereas Plax was positioned around a new benefit as a plaque fighter and claims Plax removes up to three times more plaque than just brushing alone.

In studying the current situation and preparing for a strategic plan, Gwen Hearst reviewed the available information and surveys for the mouthwash market and Scope showed that 75% of Canadian household use 1 or more mouthwash brands. The company's market research revealed that users could be segmented to "heavy" users that comprised 40% of all users and to "medium" users that comprised 45% of all users and to light users that comprise 15%. The company also made a research on why consumers use mouthwash, and the results were: consumer's basic hygiene, it gets rid of bad breath, it kills germs and many other reasons. Also surveys were conducted of mouthwash user's image of the major brands based on several attributes such as, reducing bad breath, killing germs, removing plaque and others. Plax achieved a strong image on removing plaques and healthier teeth and gums, whereas scope scored a weaker image on those

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attributes. In analyzing the Canadian mouthwash market share the data showed that Scope had the highest market share among all brands, but there was a big difference in the share held by Scope in food stores—42%, versus drug stores—27%. Competitive data were also collected for advertising expenditures, and the results were that most of the advertising expenditures were of Scope, Listerine and Plax accounting for 90% of all advertising. As for the retail prices, both Listerine and Plax had the highest prices among other brands in food stores, whereas Scope, Listerine and Listermint had the highest prices in drug stores. And in comparing Scope market share between Canada and USA, the results showed that Scope in Canada takes 33% of the market share, while USA Scope's market share was 21.6% that came after Listerine, where Listerine held 28% of the mouth wash market share in America.

After the introduction of Plax by Pfizer Inc whereby P&G were loosing market share, and after studying the current situation and making several surveys and market researches, Hearst challenge was to the 1st problem which is to develop strategy that ensures the continued profitability of Scope in face of competitive threats and especially by Plax that gained 10% share of the product category. So her specific task was to prepare a marketing plan for P&G mouthwash business for the next 3 years. The 2nd problem is how will P&G maintain their profit and make sure that the Scope brand is always the first mouthwash product ranking among consumers? The mouthwash market is changing everyday with the emergence of new products and product features. As a result, P&G wants their Scope brand to be the first choice among consumers.

In the case of product development, PDD has demonstrated that Scope reduced plaque better than brushing alone because of the antibacterial ingredients in it. So the (Product Development) PDD has recently developed a new pre-brushing rinse product that performed as well as Plax but didn't work any better than Plax in removing plaque. The key benefit of this recently launched product is that it tastes better than Plax. However, PDD's preference was to not launch a new product, but instead to add plaque reduction claims to Scope. Since the basic argument was that it is better to protect the business that P&G was already in, than to launch a completely new entry. As for the case of sales, the sales people had noticed that Plax sales were increasing in the market place, and believed Scope should respond quickly, so they suggested that a brand must be unique and different enough from the competitors in order to be listed in the store shelves, or otherwise the category sales volume would spread over more units.

Market researchers suggested that Hearst look at other benefits or alternatives beyond just a "plaque reassurance on scope" or a "a better tasting pre-brushing rinse" whereas the point of view from finance, on one hand Plax had a high price so a new rinse might be a profitable option, on the other hand they were concerned about the capital and marketing costs which would increase. The purchasing manager estimated that the cost of the new ingredients of a line

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extension would increase by $ 2.55 and the packaging would cost $0.30. As for the advertising agency it favoured a line extension, since adding any new claim for scope is a huge strategic shift for the brand that would confuse the consumer and decrease the market share, because relating 2 different ideas is very difficult (breath refreshment & good tasting) (removes plaque).

Hearst and the business team have two options, on one hand a line extension or new product positioned against Plax could be introduced into the market and on the other hand doing nothing and just looking at claims other than "breath" instead of adding a new product. Launching a new product "new pre-brushing rinse" would cannibalize a part of Scope sales, also the delivery, marketing and capital costs of P&G will increase if a new rinse was launched and the user of Scope would be confused since he/she saw in the old scope a breath refreshment, taking into consideration that the new rinse is not any better than Plax in reducing plaque, but at the same time it may increase the market share of P&G and increase its profit. Whereas adding a new claim for Scope would not increase the volume of sales, but it could prevent current users of Scope to switch and it would stabilize the business, and even though the advertising agency thinks that it's hard to relate two different claims, it should try to relate them in order to make an effective advertising that includes both "breath" and "plaque" claims. Since adding plaque reduction to breathe refreshment and good tasting is an additional benefit that the scope consumer can benefit from and it may attract the potential users that scope aim at. Also P&G has to collect more information to see what the consumer needs and improve it within the same product; especially that it is based on a philosophy of satisfying the customer needs. Scope was positioned around two benefits that are refreshing breath and good taste, and it should stick to this position with other additional claims or benefits if it can, so it should not launch a new product that confuses the customers but stick to this position that it has in the market place and that is considered to be its competitive advantage. It's better to protect the business that P&G is already in for many years and just add a plaque claim, than launching a completely new entry that is not secured.

Questions:

1. How will P&G develop a strategy that will ensure the continued profitability of Scope despite competition?
2. Should P&G take risk of introducing the completely new product for 3 years plan? Discuss the advantage and risk involved.
3. How will P&G maintain their profit and make sure that the Scope brand is always the first mouthwash product ranking among consumers in Canada?

Source: *Scribd.com*

4.6 PROMOTIONAL CALENDAR

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First of all a well-planned promotional calendar specifying month-wise promotion schemes will help us to plan the schemes well in advance and identifying the timing of the schemes will put everyone in the line on alert. It is useful to map various schemes and objectives with various sales trends expected during the year. There will be peak sales seasons and troughs in sales. Thus planning schemes in a manner which will smooth out such troughs in the trend will help us to maintain a regular flow of cash and also movement of goods.

Some types of promotional calendars are coupon calendars, business awareness calendars, and swimsuit calendars. Coupon calendars encourage customers to visit again by giving them discounts. Business awareness calendars are similar, but are often given away instead of sold and meant for customers of reoccurring, monthly services. Swimsuit calendars are filled with pictures of people from a certain business or organisation and aim to earn money, spread awareness, or both. The vast majority of these calendars are available in two different types: desk and wall.

Coupon calendars

Coupon calendars are among the most popular type of promotional calendars and, if not sold by the company, they are usually given away with a purchase. While promotional items are often simply given away with no strings attached, coupon calendars tend to give deep discounts on products, and customers are willing to purchase them. A coupon calendar typically has at least one coupon on each page, which increases the likelihood of the customer returning. These coupons are sometimes dated ahead and cannot be used until the corresponding month. The images on professional calendars such as these are usually related to the company's logo or mascot.

Business awareness calendars

Business awareness calendars are given to customers to remind them of future service appointments, upcoming business events, and other things related to the customers' continued loyalty. For example, a car dealer might snail mail buyers a photo calendar of their new purchase. Coupon calendars are essentially business awareness calendars, but not all business awareness calendars are coupon calendars. In many cases, business awareness calendars are given away to remind customers of a service not frequently thought about but paid each month, like insurance.

Swimsuit calendars

Swimsuit calendars are a type of promotional calendar that features people from a certain organisation in swimsuits. These types of promotional calendars typically have a couple of goals: earning money and spreading awareness. People from many different types of organisations pose for promotional swimsuit calendars. Some

lawyers, volunteer firefighters and dedicated charity members all pose for swimsuit calendars at times. Depending on the company the calendar is promoting, it might feature photographs of people in other garments than swimsuits.

In general, promotional calendars are either placed on a desk or wall. Calendars meant to be hung on the wall are usually wider and taller than a desk calendar. Desk calendars usually resemble notebooks, with some being designed to stand up rather than lay flat. Wall calendars are especially popular and more often used promotional business items.

4.7 LEADERSHIP

Product leaders give more thrust on constant innovation of new products, and strive to offer simply the best products in the market. Sony Corporation is an example of pursuing product leadership strategy.

Leadership is an integral part of management and plays a vital role in managerial operations. Leadership provides direction, guidance, and confidence to the employees and helps in the attainment of goals in much easier way. In business and industrial organisations, managers play the role of leader and acquire leadership of subordinates, their efforts towards the achievement of organisational goals and activate the individuals of an organisation to make them work. Leadership influences behaviour of the individuals. It has an ability to attract others and potential to make them follow the instructions. Individuals can be induced to contribute their optimum towards the attainment of organisational goals through effective leadership. Leadership acquires dominance and the followers accept the directives and control of a leader. Leadership provides direction and vision for future to an organisation.

Market leadership is usually understood in terms of the position of a given company within an industry or market, based on three factors. When determining whether a corporation can properly be referred to as a market leader, the profitability of the company will play a major role. Along with how profitable the company happens to be, the market share volume and value will also be considered.

While market leadership does not necessarily require the highest profitability margin or largest market share in the industry, a corporation is normally expected to demonstrate a consistent level of profitability from one financial period to the next. That level of profit should be significant and represent a sizeable share of the available market. When the company is able to sustain the profitability through shifts in the general economy as well as during changes within the market sector, that degree of stability is one excellent indicator of market leadership.

Market share is important to market share in two ways. First, there is the issue of market share volume. Like the profitability margin, the volume of market share does not have to be the highest in the industry, but it should account for a significant amount. An ongoing strong position will demonstrate the ability of the company to

appeal to the market even in the face of changes, and is certainly an earmark of a leader.

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Along with volume, any company that engages in market leadership will also demonstrate value for their share of the market. The goods and services offered by the corporation are not only priced competitively, but also have a solid reputation for high quality. From this perspective, market leadership requires the production of goods that inspire the confidence of consumers, and are available at prices that consumers consider affordable.

In recent years, a fourth indicator of market leadership has begun to emerge. The quality and stability of the members of the executive and upper management team may also distinguish a company as being a market leader. This is often considered the case when the leadership of the corporation is composed of professionals who have been with the company for many years, and have a proven record of guiding the company successfully through shifts in the economy.

Product Leadership

Product leaders are companies that dominate their markets because they continuously offer the best and most innovative products or services in their industry. These companies display the ability and determination to make products that customers consider superior, products that deliver more benefits than others.

Product specialists are involved with all aspects of product development, marketing, and profitability. They are tasked with identifying current marketplace positioning for a product and asked to keep an eye on the future at all times. Product specialists work in almost every industry for companies of all sizes and are considered experts in the products they handle.

If you want to become a product specialist, you should meet the educational requirements established by your prospective employer. Typically, you will need to have a minimum of a bachelor's degree in marketing, sales or business administration. Those interested in working in a specific field should tailor their degree choice to meet the qualifications required of product specialists in that specific industry. For instance, an individual looking to become a product specialist in a scientific field, such as chemical engineering, should possess a bachelor's degree with requires extensive coursework in one of the sciences, such as chemistry or physics.

Price Leadership

Price leadership occurs when a leading company in a specific industry sets the price for goods and services, then other firms in the industry match the price set by this leader. This is typically common in oligopolistic markets. In an oligopolistic market, few firms exist and can dictate the direction of prices. The price leader is usually the firm that has the largest market share or the strongest customer base due to the quality of goods. Price leadership strategies can be seen as collusion in some markets.

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An example of the oligopolistic market model is the airline industry. In many countries, few airlines exist; this gives rise to a market leader who can dominate customers in the market. By setting a high price, the leader will dictate this practice to the other firms. This sets a standard price for goods, and airlines must obtain high market share through service or other incidentals, as no price advantage exists. Collusion can occur if the price leadership does not relate to an increase in operating costs.

Collusion is illegal in most countries. In order for an oligopolistic market to engage in collusion, two or more market firms must agree to set arbitrarily high prices. This forces customers to pay prices above market value and receive no extra advantage from products. Many oligopolistic markets face this scrutiny when a price leadership strategy is evident. Government agencies usually need to step in and review the business practices associated with collusion and price leadership.

The benefits of price leadership can be somewhat difficult to see. A company typically raises prices to offset higher operating costs. In the oligopolistic market model, however, higher prices can indicate more value from individual products. This quality can make it difficult for competitors to create a product with matching quality and a corresponding price. In absence of collusion, consumers expect high product quality associated with high prices.

High prices do not equal high profits. Companies with inefficient production models can suffer low profits or even losses when they cannot translate high prices to profits. Oligopolistic markets can use high prices as a barrier to entry for other companies. Companies that cannot enter the market and compete with current firms will be unable to operate effectively. This protects all firms in the current market and ensures that the price leadership set will prevent the loss of customer share to other firms.

Loss Leadership

Loss leader is a strategy used in marketing. It is the practice of selling one product at a loss in profits in order to make greater profits from related purchases. If a new market offers deep discounts to attract customers when they first open, they are employing a loss leader business strategy. Other strategies include selling printers for cheap and making ink cartridges expensive or cutting the price on razor handles that require an expensive replacement cartridge. Using the loss leader strategy, a business takes a temporary loss to encourage development of a customer base that will make repeated purchases at a greater eventual profit.

Loss leader marketing gets attention from consumers and can often yield beneficial results. Offering a competitive price promotes spread of a company through word of mouth and promotes knowledge of the company brand. Selling a product or service at a noticeably low price brings in customers from outside the existing market for the product or service, which can encourage return purchases from happy converted customers.

On the other hand, this type of marketing requires that the company has backup capital savings to help itself when there is a temporary loss. Underfunded businesses are poor candidates for success using loss leader marketing. Offering a product at too low price can attract opportunistic customers who do not intend to make repeat purchases. When the product or service is eventually raised to a profitable price, predicting whether customers will continue to buy after the discount disappears can prove to be difficult.

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Marketing strategies that focus on using the product price to make a profit are called pricing strategies. Other pricing strategies include value-based pricing, psychological pricing and skim pricing. Whether a marketing strategy will work depends on the product demand, the buying market and the timing of the product delivery.

Loss leader marketing is a similar strategy to freebie marketing, in which the business gives a free product away in order to promote the sale of profitable accessories to that product. Both types of marketing strategies are used in sales promotions and are designed to sell a high-profit accessory product by luring the customer into the market with a low- or no-cost entry product. Freebie marketing was most famously practised as early as 1910 by King Camp Gillette, the inventor of the disposable razor. Gillette decided to give the razor handles away to introduce people to the budding product and promote sale of the disposable razor blades as an accessory.

Service Leader

The concept of service leadership has been around since the early 1990s. It is based on the view that the role of a leader is to lead by helping or enabling others; in other words, Gandhi rather than Stalin. Effective leadership skills involve more than making good decisions and meeting pre-determined goals. Today's workers expect to have a personal relationship with their leader, expect that the leader understands their strengths and weaknesses and provides leadership that will help them to accomplish their goals and perform at their best.

The following 6 dimensions are adapted from the Service Leadership Wheel (Karl Albrecht, 1990.) A true service leader needs to be effective in all 6 of these areas:

- **Vision and values:** Good leaders are visionaries. They know what the end goal looks like and can convey that vision to others. Service leaders are well-informed, are decisive, willing to take risks, see and correct problems before they become overwhelming and are good role models.
- **Direction:** Good leaders see the end goal and know all the steps required to get there. These leaders also clearly convey that direction to their team. They then trust their team and delegate tasks that will help to create new, effective leaders.
- **Persuasion:** Effective leaders are skilled in communicating their vision. They convey the big picture in a way that everyone can understand. Everyone was clear about JFK's goal of putting an American on the moon. There were many

reasons why the government decided to do this, but all Americans needed to hear was the vision that Kennedy conveyed so powerfully in his inaugural address.

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- **Support:** Effective leaders create the vision for their people, and then help them get there by providing the necessary support. They keep in touch with what is happening at all levels, are good problem solvers and creative thinkers and use their time and other's time wisely. Good leaders only call meetings when the meeting will accomplish a specific task in the most efficient, effective way!
- **Appreciation:** Everyone needs to be appreciated. A smile, an acknowledgment of a job well-done or demonstrating a strong effort are so simple they are often overlooked. If your team knows you care about them and notice the quality of the work they do they will work hard for you. Celebrate incremental goal successes on the way to fulfilling your vision.

Green Leader

Ideas of green technologies inspire scientists and inventors all around the world. Being eco-friendly and living in harmony with nature is nowadays the prerogative of not so many people, as far as they are used to consuming a lot not taking into account the limitations of natural resources. It is essential that there are some countries, which might allow not taking into consideration the consequences of their industrial breakthrough for nature and environment. However, there are much more vivid example of the opposite states who preserve balance between humans and nature. The following 5 countries might be defined as such due to their persistence in environmentally friendly livelihood.

1. Denmark is intended to substitute the fossil fuels on 100%, which is caused by huge wind energy production sector in its economy. Particularly, this state has 1/3 share of wind energy market in the world.
2. 5% of Swedish population work in green organizations, that determines that this country is very eco-friendly and chases the goal of total domination of renewable energy in every branch of public and state life. Among the brightest examples are Malmo City, where the state programme on putting its functioning on solar energy exclusively is accomplished, and Stockholm, where it was initiated lately. The astonishing results would not be received without strict government policy.
3. The UK seeks a 60% cut of carbon dioxide emissions by 2050, with the support of such financial institutions as UK Trade & Investments and ThinkLondon. The impetus for the development of renewable energy is to hold the 2012 Olympics in London, which promises to be the cleanest Olympic Games in history. By 2020, the country's goal is to generate renewable energy on the basis of at least 15% of energy consumption.

4. Israel is a top country in management of water resources. The evidence of such progress is that 75% of wasted waters are recycled in the country as well as the world's largest desalination plant is operated precisely by Israel. The market volume of clean technologies in the country is small, but the focus here is directed to research and academic centres with great potential. Israel is also a "home" of the Better Place project, aimed at dissemination of the infrastructure for electric vehicles.
5. Germany is the world's leader in solar energy power systems; currently it produces 10% of solar energy on the international market, but according to the forecasts this indicator will increase up to 50% by 2050.

4.8 COMPETITIVE EDGE

Competitive advantages are those resources that allow a business entity to develop and maintain an edge over competitors who produce similar goods and services. The competitive advantage differs from the comparative advantage, in that the focus is often more on the strategies and skills involved, and less on the resources and final cost of production. A competitive advantage may be achieved by a brilliant public relations strategy, a unique mode of production, or the addition of some benefit that goes above and beyond the benefits offered by similar products on the market.

The purpose of seeking a competitive advantage is to establish the company and its products as unique within the wide range of comparable goods and services. By doing so, companies are able to create a loyal client base that will remain with them even if operating costs make it necessary to increase the unit price of the product in question. In order to accomplish this goal, the manufacturer must include and exploit some aspect of the product that will keep and hold the attention of the consumer.

Choosing the best strategies for competitive advantage is a process that should begin with a company assessing its resources to allow it to separate itself from its competition. These resources may come from the quality of the employees, the location of the business, or some sort of innovation within the industry that makes the company better suited to fill the needs of its customer base. Once these resources are identified, businesses should decide between strategies for competitive advantage that stress cost differentiation, and those that emphasize product quality. Companies should also try to decide whether they wish to focus on a broad section of the market or to narrow their focus to a niche market.

Achieving competitive advantage is something that most businesses wish to accomplish. Getting an edge over the other alternatives in the market will likely lead to increased market share, and, in turn, higher profits. Finding out where that edge exists is not a simple task, so companies should choose carefully among the various strategies for competitive advantage available to them.

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Businesses should focus on its resources when choosing strategies for competitive advantage; they can help companies gain an edge over its market foes. Long-standing companies may have an edge in terms of brand awareness, since consumers might know them well and be familiar with their standards of service. By contrast, newer companies might be able to get an edge based on leaner operational structures, allowing them to make products that are cheaper than the established brands.

Whatever resources exist, there are two main types of competitive advantage that a company can try to utilize. Cost differentiation is achieved when a company makes products that are suitable alternatives for more expensive counterparts. Companies may also try to separate from their competitors by producing items of higher quality. This might mean that they have to charge a little more, but, ideally, the quality will lead consumers choose their products over inferior, less expensive alternatives.

Strategies for competitive advantage are also dependent upon the market a company is courting. Narrow markets might mean that firms will be looking to find a small niche to which it will cater. Wider markets might require a cost differentiation approach, which can help a firm separate itself from a crowded field. Careful study of the market, in conjunction with efficient utilization of company abilities, can lead firms of all sizes to the competitive advantage they seek.

Broadly the leadership can be classified into the following areas:

4.9 WINNING NEW AND RETAINING EXISTING CUSTOMER BASE

To remain competitive in a dynamic and increasingly multifaceted global setting, you need to create an environment in which your customers are at the center of every decision. The idea of having a customer-centric approach is the essential element for generating customer loyalty and retention. "It is a known fact that a 5% increase in customer retention has been shown to increase profitability from 25% to 85%". Customer retention in the marketing effort is considered to be of utmost importance and every marketing professional who knows the cost of acquiring customer will never give it a short treatment. In today's context cost of acquiring customer is far greater than cost of retaining customer. Hence, customer retention is the most important part of marketing strategy of every brand as well as that of the retail stores. Customer retention ensures that the customer who has bought the product from a retail store or the concerned brand remains with the store or the brand for a fairly long term. Hence, he/she has become loyal to the store or brand, and it is this loyalty that helps the retailer or the brand company to retain with it or the brand for a long time to come. "Truly loyal customers cannot imagine doing business with anyone else. They are your best means of advertisement because they have become advocates of your company. They bore their friends with stories of how great you are" (Shaun Smith and Joe Wheeler, 2009).

Customer Retention is a tactically-driven approach based on customer behaviour. It's the core activity going on behind the scenes in Relationship Marketing, Loyalty Marketing, Database Marketing, Permission Marketing, and so forth. Customer retention is the true indicator of predictable revenue and lasting profitability for subscription billing business models. Even the smallest increase in customer retention results in big revenue increases due to the power of Average Customer Lifetime Value (ACLV) which is the average amount of revenue the merchant receives over the lifetime of their relationship with a customer.

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There are four stages in customer relationship cycle which are discussed below:

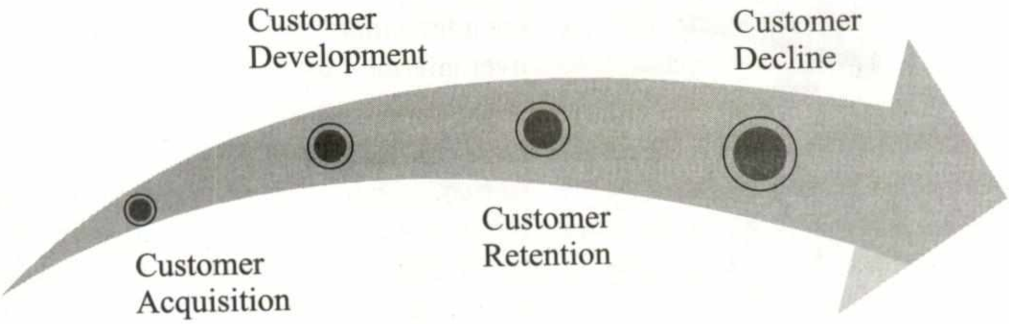

Fig. 4.4: Customer Relationship Cycle

You may notice from the figure that Customer Relationship Cycle depends on the four important ingredients such as Customer Acquisition, Customer Development, Customer Retention and Customer Decline.

The above stages are in alignment with the concept of product life cycle, which states that there are four stages experienced by a product or brand viz. Product Launch; Growth Phase; Maturity Stage, and the Declining Stage. During the customer acquisition phase the retailer has to take great efforts in attracting the target consumers to the retail outlet, for which he has to undertake different kinds of promotions so that the customers take effort to visit the retail store and browse through the range to identify the products that can suit his needs. The customer, if he is already a buyer of such products from another retail outlet, then the retailer has to undertake special effort, through his sales representatives, not only to convince the customer about the suitability of the product range that can meet customer's expectation; but will also have to convince customer about the special benefit if any of buying from the concerned retail store. Thus, in this stage transactional benefits like special customer attention and service, offer of proper collection/range in the product of interest to the customer, special promotional offers if any, retail store ambience, etc. play very important role in the acquisition of the customer.

During the customer development phase the retailer tries to make more offerings to customer through up-selling or cross selling thereby trying to develop customer

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relationship through more number of transactions, and getting the customer back into store for more purchase transactions. This is another important part of customer acquisition. Here the focus is to make the customer more familiar with store's offerings and the staff and his/ her experience in the store. Thus, setting a stage for converting the customer into a loyal customer.

The stage after the development is the retention, which every retailer wants to keep it as long as possible, and will make every effort to retain the consumer for a longer period either attached to the retail store or the private labels sold through the retail outlet. The retailer makes every effort to stabilize the relationship, and builds trust for its products, store image and services in the mind of the consumer. This feeling of trust develops into commitment between the consumer and the store towards each other. In order to retain the customer the retailer introduces the customer to its loyalty programmes or other such similar programmes. Thereby the retailer provides recognition to the customer for remaining loyal to the retail store or to its products. The customer's continued loyalty is recognized through a series of upgradation in the loyalty program benefits. For example, in many large format stores the customer is normally introduced to its classic loyalty program as part of its introductory plan. This is upgraded to the silver grade on reaching certain cumulative purchase value. There after further upgraded to Gold grade on meeting the cumulative purchase value norms.

Through different upgradation in the loyalty programs the customer is indirectly informed about its importance to the retail store. He/She is also introduced to certain added benefits both through direct transactional benefits in terms of additional bonus points against purchases, as well as non-transactional benefits like special exclusive services and treatment in the store. Normally, the technique of offering loyalty program for retention of customer for a very long time is adopted by large format stores and branded exclusive outlets, which have chain of stores. As such type of loyalty programmes need a well organized point of sales software that can manage the loyalty program data systematically. The retailers belonging to other formats, like standalone retailers, *kirana* stores to have a method of keeping the loyal customers attached to their stores. They may offer benefits like special price discounts up to 5% to 10% to the repeat purchasers or regular customers; or offering free home delivery, and delivery of merchandise against phone orders. These facilities provide customer not only convenience but gives him/her a feeling of prestige and ego satisfaction, due to differential treatment. Thereby, reinforcing, the sense of loyalty, trust, and commitment in the mind of customer.

4.10 RETAILING RESEARCH

Retail market research resources to help you gather data for your business plan. Industry data and reports, official statistics for retail trade information, general

demographic information, polls, trends analysis, company profiles and executive mailing lists. Industry sales per square foot reports and profiles.

The term marketing research mix ("MR Mix") has been designed as a framework to assist researchers to design or evaluate marketing research studies. The name was deliberately chosen to be similar to the Marketing Mix—it also has four Ps. Unlike the marketing mix these elements are sequential and they match the main phases that need to be followed. These four Ps are: Purpose; Population; Procedure and Publication.

Purpose

The purpose of the research is the reason why it is being done. The word "purpose" is useful because it has a wide coverage. It can be specifically defined or it can be loosely explained. The wide term also embraces studies to gather marketing intelligence, where the manager's role is to scan the environment for useful data, and there may be no specific objective. The purpose of the research must be clearly specified in the form of well-designed objectives or hypothesis. Many researchers avoid the term hypothesis entirely and tend to use the words "research objective" or "aim". The word hypothesis is quite different from the terms mentioned above. In hypothesis testing we create a statement, which may be true or false, this statement is a "proposition" - we propose that something may be the case. If it is right then we accept it. If it is not right, if it is "wrong" then we reject it. It is best to spend as much time as possible on the hypothesis: it is the research question, and it determines how the study is carried out. It determines the design because it defines the problem.

Population

When considering any market sector we need to ask "Who is involved in this marketplace?" Who are the players? Who should be the centre of the investigation and where are those subjects? This area considers the target audience, customer or player; the users or non-users. Who will become the respondent or informant? Should we contact all players or just some of them? Should we carry out a census or a sample: should respondents be selected by probability or non-probability methods? An important concept for primary research is sampling. We choose to interview or observe people who we think will give us the information that will solve our problems. So in choosing our research method, we need to consider whom we select and how we select. This applies to qualitative research, with only a few people, and quantitative research with many people. Much emphasis in marketing research is on the end user, but "experts" can bridge the gap between primary and secondary data. An expert may be someone who has been in the business for many years. This part of the MR Mix involves identifying relevant sampling frames.

Procedure

When considering the procedure the key question is "How the study should be conducted?" Will it be qualitative or quantitative? This area also covers the question of timing: when will the fieldwork take place?

The best research starts by looking at secondary data, this information already exists. The two basic sources: internal (within an organisation) and external, published by someone outside has become easier to access in recent years. Information Technology, with Intranets and the Internet, has improved our ability to find such data. If secondary data doesn't solve the problem then original data (primary data) is sought. It is useful to think of different primary methods in these terms: we can ask people what they are doing; we can watch them or detect what they have done by counting or we can manipulate some variables to discover the effect. This creates three categories: questioning; observation and experimentation.

Primary data collection techniques can be subdivided into: interviewer-administered or respondent-administered; direct or indirect; personal or impersonal. Processing data, analysis and interpretation are essential parts of the procedure. Detailed examination of the appropriate tools used in the data collection needs to take place.

Publication

Under the heading of "Publication" the key questions are: Who is the audience for the results? What should be communicated? When and how should they be communicated? Research is of no use if findings are kept within the research team; similarly commercially sensitive information will have no competitive advantage if placed in the public domain. Choices need to be made on how publication takes place. Will a written report be created? Will tabulations be provided? Will a personal presentation take place? Who should be allowed sight of the results?

There are many different readers of research reports and these audiences all have very different expectations. Reporting must be personalised, writing and presentation style must be customised and adapted to the user. At one extreme there is the general public. There are many reasons why research is reported to the "mass consumer". It may be a government report that has been commissioned to be in the public interest: concerning health, welfare, transport and so on. It may be a consumer report: consumer watchdog reports are of great interest to the man on the street, so we find the which? Magazine and similar bodies have enabled the layman appreciate survey findings. Editors of periodicals regularly commission research for editorial reasons, so the results may become part of an article for mass consumption.

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Formulation of the Problem

- Significance of the Problem
- Review of Existing Literature
- Conceptualisation
- Operationalisation of the Concept
- Focus of the Problem
- Objectives of the Study
- Setting of Hypothesis (if any)

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Research Methodology

- Research Design
- Survey Universe
- Survey Population
- Selection of Sample
- Data Collection
- Analysis Pattern
    - (i) Independent and Dependent Variables
    - (ii) Content Analysis
    - (iii) Use of Statistical Tools

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Data Collection

- Data Collection Tools:
- Questionnaire
- Schedule
- Structured/Unstructured Interview
- Telephonic Interview
- Observation

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Analysis, Interpretations, Conclusion

- Data tabulation
- Use of Statistical Tools
- Testing of Hypothesis
- Taking out results from analysed data
- Concluding the research effort

Fig. 4.5: International Marketing Research Process

4.11 EMPLOYEE TRAINING, EMPOWERING, SCHEDULING, MOTIVATION AND MEETING

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Human resource training and development has assumed importance in the current scenario particularly with respect to organized retail in India. You must be aware that this format has emerged majorly in the last decade on the Indian horizon, bringing with it host of challenges and issues. In the retail scenario it is not only a question of having right number of personnel at different levels but to ensure that they are able to meet the concerns of retail owners as well as serve the customers in the desired manner. While managing human resource the retail manager must plan for the right number of human resources, and then recruit the right persons for the given jobs, so as to meet the competency requirement.

Once the personnel are recruited they need to be continuously monitored and taken through training and development processes. This helps in bridging the gaps in their performance, and induces them for superior performances. The human resource compensation plays important role in the motivation of personnel and hence, needs to be handled with right understanding and approach. You must be aware of the different organisational designs in the retail scenario and their pros and cons for betterment of the retail organisation.

4.11.1 Employee Empowerment

Employee empowerment and employee involvement are strategies and philosophies that enable employees to make decisions about their jobs. Employee empowerment and involvement help employees own their work and take responsibility for their results. Employee empowerment and involvement help employees serve customers at the level of the organisation where the customer interface exists. Employee empowerment can begin with training and converting a whole company to an empowerment model. Conversely, it might merely mean giving employees the ability to make some decisions on their own.

Happier Employees

The thinking behind employee empowerment is that it gives power to individuals and thus makes for happier employees. By being able to make choices and participate on a more responsible level, employees become more interested in their company. They often view themselves as representatives of the company.

When employees feel as though they have choice and can make direct decisions, this often leads to a greater feeling of self-worth. In a model where power is closely tied to sense of self, having some power is a valuable thing. An employee who does not feel constantly watched and criticized is more likely to consider work to be a positive environment instead of a negative one.

Open-Minded Managers

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For employee empowerment to work successfully, the management team must be truly committed to allowing employees to make decisions. Managers might want to define the scope of decisions that their employees can make. Building decision-making teams is often one of the models used in employee empowerment, because it allows for managers and workers to contribute ideas toward directing the company.

Autocratic managers tend not to be able to utilise employee empowerment. These types of managers, who are often called micromanagers, tend to oversee all aspects of their employees' work and usually will not give up control. A manager who is dedicated to employee empowerment must be willing to give up control of some aspects of the business.

Suggestions Encouraged

One easy way for managers to begin empowering their employees is to install suggestion boxes, in which workers can place suggestions without fear of punishment or retribution. Simply placing a suggestion box somewhere is only the first step, however. Managers must be willing to read and consider the suggestions. They might provide a forum where questions or suggestions receive a response, such as a weekly or monthly newsletter. In addition, managers can hold meetings where suggestions are addressed.

Responses Necessary

At least some suggestions have to be approved for employees to feel that they are having some effect on their company. Failure to approve or implement any suggestions reinforces that all the power belongs to the managers and not the workers. Employee empowerment of any form can work only when managers are willing to be open to new ideas and strategies. If no such willingness exists, the employees are likely to know that they have not been empowered at all.

4.11.2 Employee Scheduling

Organizations wishing to become more efficient, productive and profitable must organize their work and their information management in a manner that will promote these goals. This necessarily means that the organizations must undergo change: in the design and organization of the work to be performed; in the technology used to perform this work; and, finally in the organization, selection, management and training of the employees to perform the work.

Human resource planning is the development of strategies for matching the size and skills of the workforce to organizational needs. Human resource planning assists organizations to recruit, retain, and optimize the deployment of the personnel needed to meet business objectives and to respond to changes in the external environment. The process involves carrying out a skills analysis of the existing workforce, carrying

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out manpower forecasting, and taking action to ensure that supply meets demand. This may include the development of training and retraining strategies.

When we prepare our planning programme, practitioners should bear in mind that their staff members have their objective they need to achieve. This is the reason why employees seek employment. Neglecting these needs would result in poor motivation that may lead to unnecessary poor performance and even industrial actions.

HR planning involves gathering of information, making objectives, and making decisions to enable the organisation achieve its objectives. Surprisingly, this aspect of HR is one of the most neglected in the HR field. When HR planning is applied properly in the field of HR management, it would assist to address the following questions:

- How many staff does the organisation have?
- What type of employees as far as skills and abilities does the Company have?
- How should the organization best utilize the available resources?
- How can the company keep its employees?

HR planning makes the organization move and succeed in the 21st Century that we are in. Human Resources Practitioners who prepare the HR Planning programme would assist the organisation to manage its staff strategically. The programme assist to direct the actions of HR department.

The programme does not assist the organisation only, but it will also facilitate the career planning of the employees and assist them to achieve the objectives as well. This augments motivation and the organisation would become a good place to work. HR planning forms an important part of management information system.

HR has an enormous task keeping pace with all the changes and ensuring that the right people are available to the organisation at the right time. It is changes to the composition of the workforce that force managers to pay attention to HR planning. The changes in composition of workforce not only influence the appointment of staff, but also the methods of selection, training, compensation and motivation. It becomes very critical when organizations merge, plants are relocated, and activities are scaled down due to financial problems.

4.11.3 Employee Motivation and Meeting

A very crucial issue to be handled by the HRM department is to keep the employees highly motivated thorough identifying and developing their skills and commitment to their jobs. Motivation is derived from the word motive, which means an inner state within the mind, which reenergizes, activates or moves and directs or channels behaviour towards the goals.

"Motivation can be defined as an unsatisfied need which creates a state of tension or disequilibria causing the individual to move in a goal directed pattern towards restoring a state of equilibrium by satisfying the need."

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As per the above definition the unsatisfied need within each individual may cause a state of tension, urging him or her to behave or act so as to satisfy this unfilled need. Thus, the challenge for retailing firm's HRM department is to work towards motivating their employees to work and contribute in achieving their firm's goals and retailing strategy.

Usually, firms have their own organisation culture, written policies and supervision and incentive packages, which are used to motivate employees.

Motivating employees play an important role for ensuring continuous growth for the retail organisation. Retailer can achieve growth only if each of the employees is suitably motivated to better his /her existing performance on his/her KRAs. For improving employee motivation the most common method used by an organisation is the content theory that asks "what motivates an employee to behave in a particular way".

The most basic human need is the physiological need i.e. food and shelter; which is satisfied by providing cash benefit to the employee. Once the employee feels that his basic needs have been taken care of, he starts looking for the next level of need – which is safety and security. This need is satisfied by the retailer by providing to its employees job security, fringe benefits like conveyance and city compensatory allowance, and safe work environment.

The next hierarchy of needs for the employee is that of belongingness and social security. Retailer can satisfy this need by providing to its employees recognition as 'team leader' or recognition as "department manager"; by providing its employees recognition as group leader the retailer indirectly ensures that the employee is being also recognized in different social groups like friend circle, neighbours and relatives. Once the employee has attained a social recognition the next level of motivation or need hierarchy is for earning esteem. This is attained by providing employee a higher position in the organisation like a post of Vice-President or Senior-Manager with special facilities likes—separate office and car. Once the employee has reached the hierarchy need of "esteem", the next level of need hierarchy that motivates the employee for higher achievement is the "Self-actualisation need". The retailer is able to achieve this need of its employees by providing them with opportunities like attending high level seminars and training programs that help the employees to broaden their horizon and further move into higher positions like Chief Executives or Managing Directors.

The other theory used for motivating employees is the 'Process Theory', which is concerned with "how to motivate an employee to behave in the required manner". The well-known theory that is used as process theory is the "Goal Setting". It is believed that by giving a person a specific goal—which is straining but achievable, with a specific short time-frame, and takes care of employees immediate concern, and is relevant to employees task in hand—will motivate the employee to put in his best effort to achieve it. Thus, a retailer by giving his sales person a goal of achieving 20 per cent goal of increase in sales with respect to that of last year's same period and

season, which is further broken into monthly targets, and taking care of employee's sales training and guidance as well as training for the next responsibility level, should sufficiently motivate the employee to put in his best effort for achieving his goal as well as the next responsibility level.

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Check Your Progress

Fill in the Blanks

4. .... are given to customers to remind them of future service appointments, upcoming business events, and other things related to the customers' continued loyalty.
5. .... are a type of promotional calendar that features people from a certain organization in swimsuits.
6. .... is usually understood in terms of the position of a given company within an industry or market, based on three factors.
7. .... are those resources that allow a business entity to develop and maintain an edge over competitors who produce similar goods and services.
8. .... and employee involvement are strategies and philosophies that enable employees to make decisions about their jobs.

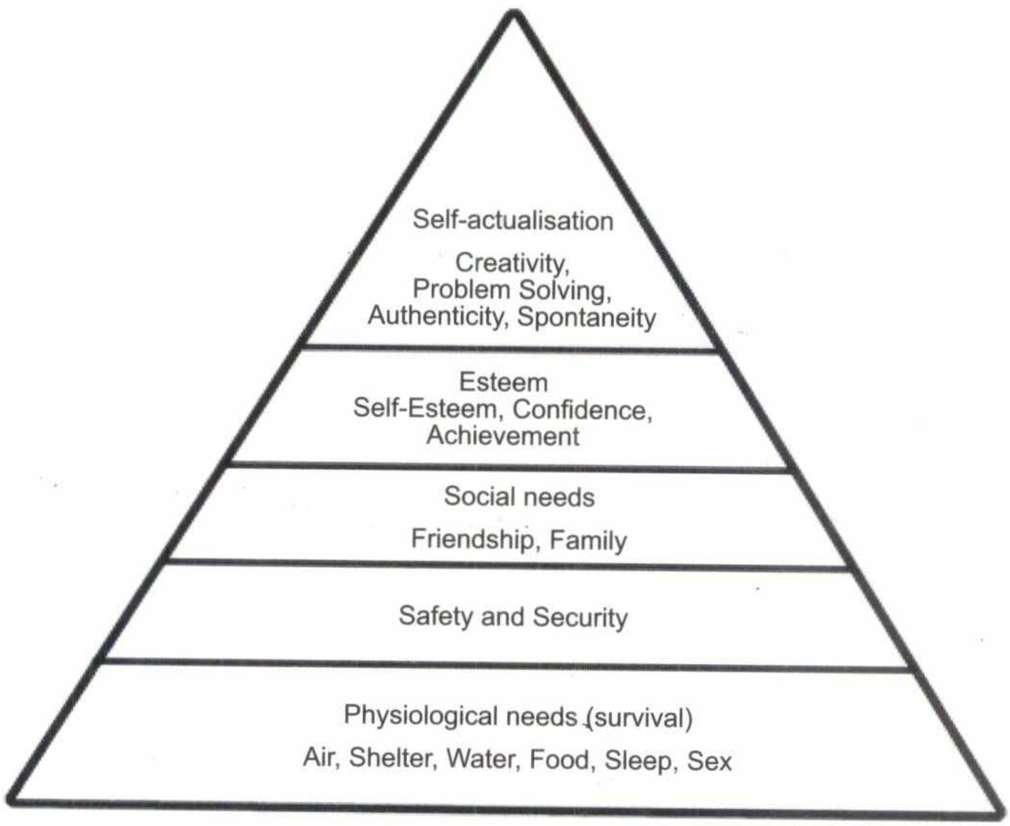

Fig. 4.6: Maslow's Hierarchy of Need Theory

Case Study: The Not-So-Wonderful World of EuroDisney

In April 1992, EuroDisney SCA opened its doors to European visitors. Located by the river Marne some 20 miles east of Paris, it was designed to be the biggest and most lavish theme park that Walt Disney (Disney) had built to date—bigger than Disneyland in Anaheim, California; Disneyworld in Orlando, Florida; and Tokyo Disneyland in Japan. In 1989, EuroDisney was expected to be a surefire moneymaker for its parent Disney, led by Chairman Michael Eisner and President Frank Wells. Since then, sadly, Wells was killed in an air accident in spring of 1994, and EuroDisney lost nearly $1 billion during the 1992–1993 fiscal years.

Much to Disney management's surprise, Europeans failed to "go goofy" over Mickey, unlike their Japanese counterparts. Between 1990 and early 1992, some 14 million people had visited Tokyo Disneyland, with three-quarters being repeat visitors. A family of four staying overnight at a nearby hotel would easily spend

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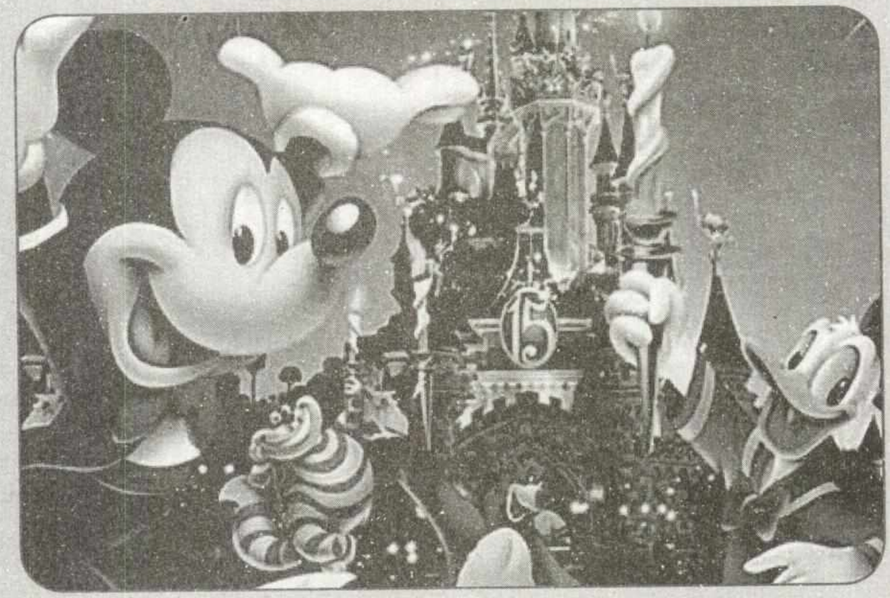
$600 on a visit to the park. In contrast, at EuroDisney, families were reluctant to spend the $280 a day needed to enjoy the attractions of the park, including less hamburgers and less milkshakes. Staying overnight was out of the question for many because hotel rooms were so high priced. For example, prices ranged from $110 to $380 a night at the Newport Bay Club, the largest of EuroDisney's six new hotels and one of the biggest in Europe. In comparison, a room in a top hotel in Paris cost between $340 and $380 a night.

In 1994, financial losses were becoming so massive at EuroDisney that Michael Eisner had to step in personally in order to structure a rescue package. EuroDisney was put back on firm ground. A two-year window of financial peace was introduced, but not until after some acrimonious dealings with French banks had been settled and an unexpected investment by a Saudi prince had been accepted. Disney management rapidly introduced a range of strategic and tactical changes in the hope of "doing it right" this time. Analysts are still trying to diagnose what went wrong and what the future might hold for EuroDisney.



A Real Estate Dream Come True—Expansion into Europe was supposed to be Disney's major source of growth in the 1990s, bolstering slowing prospects back home in the United States. "Europe is our big project for the rest of this century," boasted Robert F. Fitzpatrick, chairman of Euro Disneyland in spring 1990. The Paris location was chosen over 200 other potential sites stretching from Portugal through Spain, France, Italy, and into Greece, Spaing thought it had the strongest bid based on its year-long, temperate, and sunny Mediterranean climate, but insufficient acreage of land was available for development around Barcelona.

In the end, the French government's generous incentives, together with impressive data on regional demographics, swayed Eisner to choose the Paris location. It was calculated that some 310 million people in Europe live within two hours' air

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travel of EuroDisney, and 17 million could reach the park within two hours by car—better demographics than at any other Disney site. Pessimistic talk about the dismal winter weather of northern France was countered with references to the success of Tokyo Disneyland, where resolute visitors brave cold winds and snow to enjoy their piece of Americana. Furthermore, it was argued, Paris is Europe's most -popular city destination among tourists of all nationalities.

According to the master agreement signed by the French government in March 1987, 51 percent of EuroDisney would be offered to European investors, with about half of the new shares being sold to the French. At the time, the project was valued at about FFr 12 billion ($1.8 billion). Disney's initial equity stake in EuroDisney was acquired for FFr 850 million (about $127.5 million). After the public offering, the value of Disney's stake zoomed to $1 billion on the magic of the Disney name.

Inducements by the French government were varied and generous:

- Loans of up to FFr 4.8 billion at a lower-than-market fixed rate of interest.
- Tax advantages for writing off construction costs.
- Construction by the French government, free of charge, of rail and road links from Paris out to the park. The TGV (trés grande vitesse) fast train was scheduled to serve the park by 1994, along with road traffic coming from Britain through the Channel Tunnel, or Chunnel.
- Land (4,800 acres) sold to Disney at 1971 agricultural prices. Resort and property development going beyond the park itself was projected to bring in about a third of the scheme's total revenues between 1992 and 1995.

As one analyst commented "EuroDisney could probably make money without Mickey, as a property development alone." These words would come back to halted Disney in 1994 as real estate development plans were halted and hotel rooms remained empty, some even being closed during the first winter.

Spills and Thrills **-** Disney had projected that the new theme park would attract 11 millions visitors and generate over $100 million in operating earnings during the first year of operation. EuroDisney was expected to make a small pretax profit of FFr 227 million ($34 million) in 1994, rising to nearly FFr 3 billion ($450 million) in 2001. By summer 1994, EuroDisney had lost more than $900 million since opening. Attendance reached only 9.2 million in 1992, and visitors spent 12 percent less on purchases than the estimated $33 per head. European tour operators were unable to rally sufficient interest among vacationers to meet earlier commitments to fill the park's hotels, and demanded that EuroDisney renegotiate their deals. In August 1992, Karen Gee, marketing manager of Airtours PLC, a British travel agency, worried about troubles yet to come: "On a foggy February day, how appealing will this park be?" Her winter bookings at that time were dismal. If tourists were not flocking to taste the thrills of the new EuroDisney, where were they going for their summer vacations in 1992? Ironically enough,

an unforeseen combination of transatlantic airfare wars and currency movements resulted in trip to Disneyworld in Orlando being cheaper than a trip to Paris with guaranteed good weather and beautiful Floridian beaches within easy reach. EuroDisney management took steps to rectify immediate problems in 1992 by cutting rates at two hotels up to 25 percent, introducing some cheaper meals at restaurants, and launching a Paris ad blitz that proclaimed "California is only 20 miles from Paris".

An American Icon - One of the most worrying aspects of EuroDisney's first year was that French visitors stayed away; they had been expected to make up 50 percent of the attendance figures. Two years later, Dennis Speigel, president of the International Theme Park Services consulting firm, based in Cincinnati, Ohio, framed the problem in these words: "The French see EuroDisney as American imperialism—plastics at its worst". The well-known, sentimental Japanese attachment to Disney characters contrasted starkly with the unexpected and widespread French scorn for American fairy-tale characters. French culture has its own lovable cartoon characters such as Astérix, the helmeted, pint-sized Gallic warrior who has a theme park located near EuroDisney. Parc Astérix went through a major renovation and expansion in anticipation of competition from EuroDisney . Hostility among the French people to the whole "Disney-idea" had surfaced early in the planning of the new project. Paris theater director Ariane Mnouchkine became famous for her description of EuroDisney as "a cultural Chernobyl." A 1988 book, Mickey: The Sting, by French journalist Gilles Smadja denounced the $350 million that the government had committed at that time to building park-related infrastructure. In fall 1989, during a visit to Paris, Michyael Eisner was pelted with eggs by French Communists. Finally, many farmers took to the streets to protest against the preferential sales price of local land. The joke going around at the time was, "For EuroDisney to adapt properly to France, all seven of Snow White´s dwarfs should be named Grumpy (Grincheux)".

Early advertising by EuroDisney seemed to aggravate local French sentiment by emphasising glitz and size, rather than the variety of rides and attractions. Committed to maintaining Disney´s reputation for quality in everything, Chairman Eisner insisted that more and more detail be built into EuroDisney. For example, the centerpiece castle in the Magic Kingdom had to be bigger and fancier than in the other parks. He ordered the removal of two steel staircases in Discoveryland, at a cost of $200,000 to $300,000, because they blocked a view of the Star Tours ride. Expensive trams were built along a lake to take guests from the hotels to the park, but visitors preferred walking. An 18-hole golf course, built to adjoin 600 new vacation homes, was constructed and then enlarged to add another 9 holes. Built before the homes, the course cost $15 to $20 million and remains underused. Total park construction cost were estimated at FFr 14 billion ($2.37billion) in 1989 but rose by $340 million to FFr 16 billion as a result of all these add-ons. Hotel construction costs alone rose from an estimated FFr 3.4 billion to FFr 5.7

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billion. EuroDisney and Disney managers unhappily succeeded in alienating many of their counterparts in the government, the banks, the ad agencies and other concerned organizations. A barnstorming, kick-the-door-down attitude seemed to reign among the U.S. decision makers. Beatrice Descoffre, a French construction industry official, complained that "They were always sure it would work because they were Disney". A top French banker involved in setting up the master agreement felt that Disney executives had tied to steamroller their ideas. "They had a formidable image and convinced everyone that if we let them do it their way, we would all have a marvelous adventure". Disney executives consistently decline to comment on their handling of management decisions during the early days, but point out that many of the same people complaining about Disney's aggressiveness were only too happy to sign on with Disney before conditions deteriorated. One former Disney executive voiced the opinion, "We were arrogant it was like 'We're building the Taj Mahal and people will come-on our terms.'"

Storm Clouds ahead – Disney and its advisors failed to see signs at the end of the 1980s of the approaching European recession. As one former executive said, "We were just trying to keep our heads above water. Between the glamour and the pressure of opening and the intensity of the project itself, we didn't realise a major recession was coming". Other dramatic events included the Gulf War in 1991, which put a heavy brake on vacation travel for the rest of that year. The fall of communism in 1989 after the destruction of the Berlin Wall provoked far-reaching effects on the world economy, national defense industries were drastically reduced among Western nations. Foreign aid was requested from the West by newly emerging democracies in Eastern Europe. Other external factors that Disney executives have cited in the past as contributing to their financial difficulties at EuroDisney were high interest rates and the devaluation of several currencies against the franc. Difficulties were also encountered by EuroDisney with regard to competition. Landmark events took place in Spain in 1992. The world's Fair in Seville and the 1992 Olympics in Barcelona were huge attractions for European tourists. New parks were planned for Spain by Anheuser-Busch, with its $300 million Busch Gardens near Barcelona, as well as Six Flags Corporation's Magic Mountain park, to be located in Marbella. Disney management's conviction that it knew best was demonstrated by its much-trumpeted ban on alcohol in the park. This proved insensitive to the local culture because the French are the world's biggest consumers of wine. To them a meal without un verre de rouge is unthinkable. Disney relented. It also had to relax its rules on personal grooming of the projected 12.000 cast members, the park employees. Women were allowed to wear redder nail polish than in the United States, but the taboo on men´s facial hair was maintained. "We want the clean-shaven, neat and tidy look", commented David Kannally, director of Disney University ´s Paris branch. The "university" trains prospective employees in Disney values and culture by means of a one-

and-a-half-day seminar. Eurodisney's management did, however, compromise on the question of pets. Special Kennels were built to house visitors' animals. The thought of leaving a pet at home during vacation is considered irrational by many French people.

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Plans for further development of EuroDisney after 1992 were ambitious. The initial number of hotel rooms was planned to be 5,200, more than in the entire city of Cannes on the Cote d'Azur. This number was supposed to triple in a few years as Disney opened a second theme park to keep visitors at the EuroDisney resort for a longer stay. There would also be a huge amount of office space, 700,000 square meters, just slightly smaller France's largest office complex. La Defense in Paris. Also planned were shopping malls, apartments, golf courses, and vacation homes. EuroDisney would design and build everything itself, with a view to selling at a profit. As a Disney executive commented with hindsight, "Disney at various points could have had partners to share the risk, or buy the hotels outright. But it didn't want to give up the upside".

Disney management wanted to avoid two costly mistakes it had made in the past: letting others build the money-making hotels surrounding a park (as happened at Disneyland in Anaheim), and letting another company own a Disney park (as in Tokyo, where Disney just collects royalties). This time, along with 49 percent ownership of EuroDisney would receive both a park management fee and royalties on merchandise sales. The outstanding success record of Chairman Eisner and President Wells in reviving Disney during the 1980s led people to believe that the duo could do nothing wrong. "From the time they came on, they had never made a single misstep, never a mistake, never a failure" said a former Disney executive. "There was a tendency to believe that everything they touched would be perfect." This belief was fostered by the incredible growth record achieved by Eisner and Wells. In the seven years before EuroDisney opened, they took Disney from being a company with $1 billion in revenues to one with $8.5 billion, mainly through internal growth. Dozens of banks, led by France's Banque Nationale de Paris, Banque Indosuez, and Caisse des Depots & Consignations, eagerly signed on to provide construction loans. One banker who saw the figures for the deal expressed concern. "The company was overleveraged. The structure was dangerous." Other critics charged that the proposed financing was risky because it relied on capital gains from future real estate transactions.

The Disney response to this criticism was that those views reflected the cautious, Old World thinking of Europeans who didn't understand U.S. style free market financing. Supporters of Disney point out that for more than two years after the initial public offering of shares, the stock price continued to do well, and that initial loans were at a low rate. It was the later cost overruns and the necessity for a bailout at the end of the first year that undermined the initial forecasts. Optimistic assumptions that the 1980s boom in real estate in Europe would continue through the 1990s and that interest rates and currencies would remain stable led Disney to

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rely heavily on debt financing. The real estate developments outside EuroDisney were supposed to draw income to help pay down the $3.4 billion in debt. That in turn was intended to help Disney finance a second park close by—an MGM Studios film tour site—that would draw visitors to help fill existing hotel rooms. None of this happened. As a senior French banker commented later in 1994, EuroDisney is a "good theme park married to a bankrupt real estate company and the two can't be divorced."

Telling and Selling Fairy Tales—Mistaken assumptions by the Disney management team affected construction design, marketing and pricing policies, and park management, as well as initial financing. For example, parking space for buses proved much too small. Restroom facilities for drivers could accommodate 50 people; on peak days there were 200 drivers. With regard to demand for meal service, Disney executives had been erroneously informed that Europeans don't eat breakfast. Restaurant breakfast services were downsized accordingly, and guess what? "Everybody showed up for breakfast. We were trying to serve 2,500 breakfasts in a 350-seat restaurant [at some of the hotels]. The lines were horrendous. And they didn't just want croissants and coffee. They wanted bacon and eggs" lamented one Disney executive. Disney reacted quickly, delivering prepackaged breakfasts to rooms and other satellite locations. In contrast to Disney's American parks where visitors typically stay at least three days, EuroDisney is at most a two-day visit. Energetic visitors need even less time. Jeff Summers, an analyst at debt broker Klesch & Company in London, claims to have "done" every EuroDisney ride in just five hours. "There aren't enough attractions to get people to spend the night," he commented in summer 1994. Typically many guests arrive early in the morning, rush to the park, come back to their hotel late at night, then check out the next morning before heading back to the park. The amount of check-in and check-out-traffic was vastly underestimated when the park opened; extra computer terminals were installed rapidly in the hotels.

In promoting the new park to visitors, Disney did not stress the entertainment value of a visit to the new theme park. The emphasis on the size of the park "ruined the magic", said a Paris based ad agency executive. But in early 1993, ads were changed to feature Zorro, a French favourite; Mary Poppins; and Aladdin, star of the huge money-making movie success. A print ad campaign at that time featured Aladdin, Cinderella's castle, and a little girl being invited to enjoy a "magic vacation". A promotional package was offered–two days, one night, and one breakfast at an unnamed EuroDisney hotel–for $95 per adult and free for kids. The tagline said, "The kingdom where all dreams come true". Early in 1994 the decision was taken to add six new attractions. In March the Temple of Peril ride opened, Storybook Land followed in May; and the Nautilus attraction was planned for June. Donald Duck's birthday was celebrated on June 9. A secret new thrill ride was promised in 1995. "We are positioning EuroDisney as

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the No.1 European destination of short duration, one to three days", said a park spokesperson. Previously no effort had been made to hold visitors for a specific length of stay. Moreover, added the spokesperson, "One of our primary messages is, after all, that EuroDisney is affordable to everyone". Although new package deals and special low season rates substantially offset costs to visitors, the overall entrance fee has not been changed and is higher than in the United States.

With regard to park management, seasonal disparities in attendance have caused losses in projected revenues. Even on a day-to-day basis EuroDisney management has had difficulty forecasting numbers of visitors. Early expectations were that Monday could be a light day for visitors, and Friday a heavy one. Staff allocations were made accordingly. The opposite was true. EuroDisney management still struggles to find the right level of staffing at a park where high-season attendance can be ten times the number in the low season. The American tradition of "hiring and firing" employees at will is difficult, if not impossible, in France, where workers' rights are stringently protected by law. Disney executives had optimistically expected that the arrival of their new theme park would cause French parents to take their children out of school in midseason for a short break. It did not happen, unless a public holiday occurred over a weekend. Similarly, Disney expected that the American-style short but more frequent family trips would displace the European tradition of a one month family vacation, usually taken in August. However, French office and factory schedules remained the same, with their emphasis on an August shutdown.

Tomorrowland - Faced with falling share prices and crisis talk among shareholders, Disney was forced to step forward in late 1993 to rescue the new park. Disney announced that it would fund EuroDisney until a financial restructuring could be worked out with lenders. However, it was made clear by the parent company, Disney, that it "was not writing a blank check".

In November 1993, it was announced that an allocation of $350 million to deal with EuroDisney's problems had resulted in the first quarterly loss for Disney in nine years. Reporting on fourth-quarter results for 1993, Disney announced its share of EuroDisney losses as $517 million for fiscal 1993. The overall performance of Disney was not, however, affected. It reported a profit of nearly $300 million for the fiscal year ending September 30, 1993, thanks to strong performance by its U.S. theme parks and movies produced by its entertainment division. This compared with a profit of $817 million for the year before.

The rescue plan developed in fall 1993 was rejected by the French banks. Disney fought back by imposing a deadline for agreement of March 31, 1994, and even hinted at possible closure of EuroDisney. By mid-March, Disney's commitment to support EuroDisney had risen to $750 million. A new preliminary deal struck with EuroDisney's lead banks required the banks to contribute some $500 million. The aim was to cut the park's high-cost debt in half and make EuroDisney profitable

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by 1996, a date considered unrealistic by many analysts. The plan called for a rights offering of FFr 6 billion (about $1.02 billion at current rates) to existing shareholders at below market prices. Disney would spend about $508 million to buy 49 percent of the offering. Disney also agreed to buy certain EuroDisney park assets for $240 million and lease them back to EuroDisney on favourable terms. Banks agreed to forgive 18 months of interest payments on outstanding debt and would defer all principal payments for three years. Banks would also under write the remaining 51 percent of the rights offering. For its part, Disney agreed to eliminate for five years its lucrative management fees and royalties on the sale of tickets and merchandise. Royalties would gradually be reintroduced at a lower level. Analysts commented that approval by EuroDisney's 63 creditor banks and its shareholders was not a foregone conclusion. Also, the future was clouded by the need to resume payment of debt interest and royalties after the two-year respite.

Prince Charming Arrives—In June 1994, EuroDisney received a new lifeline when a member of the Saudi royal family agreed to invest up to $500 million for a 24 percent stake in the park. Prince Al-Walid bin Talal bin Abdul-Aziz Al-Saud is a well-known figure in the world of high finance. Years ago he expressed the desire to be worth $5 billion by 1998. Western-educated, His Royal Highness Prince Al-Walid holds stock in Citicorp worth $ 1.6 billion and is its biggest shareholder. The prince has an established reputation in world markets as a "bottom-fisher," buying into potentially viable operations during crises when share prices are low. He also holds II percent of Saks Fifth Avenue and owns a chain of hotels and supermarkets, his own United Saudi commercial Bank in Riyadh, a Saudi construction company, and part of the new Arab Radio and Television Network in the Middle East. The prince plans to build a $ 100 million convention center at EuroDisney. One of the few pieces of good news about EuroDisney is that its convention business exceeded expectations from the beginning. The prince's investment could reduce Disney's stake in EuroDisney to as little as 36 percent. The prince agreed not to increase the size of his holding for 10 years. He also agreed that if his EuroDisney stake ever exceeds 50 percent of Disney's, he must liquidate that portion. The prince loves Disney culture. He has visited both EuroDisney and Disney world. He believes in the EuroDisney management team. Positive factors supporting his investment include the continuing European economic recovery, increased parity between European currencies, the opening of the Chunnel, and what is seen as a certain humbling in the attitude of Disney executives. Jeff Summers, analyst for Klesch & Company in London, commented on the deal, saying that Disney now has a fresh chance "to show that Europe really needs an amusement park that will have cost $5 billion."

Management and Name Changes—Frenchman Philippe Bourguignon took over at EuroDisney as CEO in 1993 and has navigated the theme park back to profitability. He was instrumental in the negotiation with the firm's bankers,

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cutting a deal that he credits largely for bringing the park back into the black. Perhaps more important to the long-run success of the venture were his changes in marketing. The pan-European approach to marketing was dumped, and national markets were targeted separately. This new localisation took into account the differing tourist's habits around the continent. Separate marketing offices were opened in London, Frankfurt, Milan, Brussels, Amsterdam, and Madrid, and each was charged with tailoring advertising and packages to its own market. Princes were cut by 20 percent for park admission and 30 percent for some hotel room rates. Special promotions were also run for the winter months. The central theme of the new marketing and operations approach is that people visit the park for an "authentic" Disney day out. They may not be completely sure what that means, except that it entails something American. This is reflected in the transformation of the park's name. The "Euro" in Eurodisney was first shrunk in the logo, and the word "land" added. Then in October 1994 the "Euro" was eliminated completely; the park is now called Disneyland Paris.

In 1996 Disneyland Paris became France's most visited tourist attraction, ahead of both the Louvre Art Museum and the Eiffel Tower, 11.7 million visitors (a 9 percent increase from the previous year) allowed the park to report another profitable year. However, the architect of this remarkable recovery left the firm. Despite a promotion to executive vice president of Disney's European operations, Mr. Bourguignon resigned to become chairman of Club Mediterranee. Some say he was interested in another turn-around project—Club Med had big problems, including huge losses in customers and profits. Others conjecture that Mr. Bourguignon's departure had more to do with big challenges facing Disneyland Paris in the immediate future. That is financial concessions given by bankers and shareholders as part of the restructuring were gradually beginning to expire, and some analysts saw storm clouds again on the horizon.

Theme Park Expansion in the 21st Century – With the recovery of Disneyland Paris, the division embarked on an ambitious growth plan. In 2001 the California Adventure Park was added to the Anaheim complex at a cost of $1.4 billion. Through agreements with foreign partners, Disney will also open three new theme parks, in Tokyo Seas, also to be opened in 2001, Paris, and Hong Kong, during the next five years, while spending only $400 million of its own money to do so. Executives are hoping that the return on that investment will be in the neighbourhood of 30 percent, based on licensing fees and entrance fees.

Questions

1. What factors contribute to EuroDisney's poor performance during its first year of operation?
2. To what degree do you consider that these factors were
   a. foreseeable and
   b. controllable by either EuroDisney or the parent company, Disney?

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3. What role does ethnocentrism play in the story of EuroDisney's launch?
4. How do you assess the cross-cultural marketing skills of Disney?
5. Do you think success in Tokyo predisposed Disney management to be too optimistic in their expectation of success in France? Explain.
6. Do you think the new theme park would have encountered the same problems if a location in Spain had been selected? Explain.
7. Assess Disney's new expansion strategy. Does their current approach of limited investment make sense in all new markets? If not, where not? Explain.
8. Now that Disney has succeeded in turning around Disneyland Paris and has begun work on the new Hong Kong location, where and when should it go next? Assume you are a consultant hired to give Disney advice on the issue of where and when to go next. Pick three locations and select the one you think will be the best new location for "Disneyland X" and explain why.
9. Resume the experience at EuroDisney, make a check list of things not to forget in the following Disney's project.

Source: *scribd.com*

4.12 SUMMARY

- Based on the profit and loss statement the retailer is able to determine if it is making profit or loss, and can take corrective steps to improve upon the expenses or revenue items by formulating new strategies and goals to reach the profitable state.
- The gross margin return on inventory investment, known by the acronyms GMROI or GMROII, is a measure of the return on every rupee invested in inventory. Gross margin is defined as sales minus the cost of raw materials and labour to produce the goods sold.
- The Break-Even Point (BEP) may be defined as that level of sales at which total revenue is equal to the total costs and the net income is zero. This is known as no-profit no-loss point. The main objective of the break-even analysis is not simply to find out the BEP, but to develop an understanding between the relationships of cost, price and volume.
- Marketing strategy consists of the analysis, strategy development, and implementation activities in: "Developing a vision about the market(s) of interest to the organisation, selecting market target strategies, setting objectives, and

developing, implementing, and managing the marketing program positioning strategies designed to meet the value requirements of the customers in each market target".

- First of all a well-planned promotional calendar specifying month-wise promotion schemes will help us to plan the schemes well in advance and identifying the timing of the schemes will put everyone in the line on alert.
- Product leaders give more thrust on constant innovation of new products, and strive to offer simply the best products in the market. Sony Corporation is an example of pursuing product leadership strategy.
- Competitive advantages are those resources that allow a business entity to develop and maintain an edge over competitors who produce similar goods and services.
- Customer Retention is a tactically-driven approach based on customer behaviour. It's the core activity going on behind the scenes in Relationship Marketing, Loyalty Marketing, Database Marketing, Permission Marketing, and so forth.
- Retail market research resources to help you gather data for your business plan. Industry data and reports, official statistics for retail trade information, general demographic information, polls, trends analysis, company profiles and executive mailing lists. Industry sales per square foot reports and profiles.
- Human resource training and development has assumed importance in the current scenario particularly with respect to organized retail in India. You must be aware that this format has emerged majorly in the last decade on the Indian horizon, bringing with it host of challenges and issues.

4.13 KEY TERMS

- **Gross margin:** Gross margin is defined as sales minus the cost of raw materials and labour to produce the goods sold.
- **Break-Even Point (BEP):** The Break-Even Point (BEP) may be defined as that level of sales at which total revenue is equal to the total costs and the net income is zero.
- **Leadership:** Leadership is an integral part of management and plays a vital role in managerial operations. Leadership provides direction, guidance, and confidence to the employees and helps in the attainment of goals in a much easier way.

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- **Competitive advantages:** Competitive advantages are those resources that allow a business entity to develop and maintain an edge over competitors who produce similar goods and services.
- **Motivation:** Motivation can be defined as an unsatisfied need which creates a state of tension or disequilibria causing the individual to move in a goal directed pattern towards restoring a state of equilibrium by satisfying the need.

4.14 ANSWERS TO 'CHECK YOUR PROGRESS'

1. The initial mark-up is the difference between the cost of an item and its original selling price. The initial mark-up is sometimes referred as mark-on and is represented as a percentage of purpose of analysis.
2. Gross margin is defined as sales minus the cost of raw materials and labour to produce the goods sold. GMROI is an important financial ratio in retail because it provides a metric for the speed at which the inventory is turning or selling and the return on your investment.
3. The Break-Even Point (BEP) may be defined as that level of sales at which total revenue is equal to the total costs and the net income is zero.
4. Business awareness calendars
5. Swimsuit calendars
6. Market leadership
7. Competitive advantages
8. Employee empowerment

4.15 QUESTIONS AND EXERCISES

Short Answer Questions

1. What do you mean by mark-up and mark-down of retail prices?
2. Define gross margin.
3. What is the break-even level?
4. What are the marketing strategies?
5. What are the coupon calendars?
6. What is the purpose of conducting retailing research?
7. Define motivation.
8. What do you mean by gaining competitive advantage?

Long Answer Questions

1. Discuss the preparation of business plans considering mark-up and mark-down.

2. Discuss the meaning and determination of break-even level.
3. What are the key steps involved in preparation of marketing strategies?
4. What are the different types of promotional calendar?
5. Discuss the meaning and significance of competitive edge.
6. Write a detailed note on retailing research.
7. To remain competitive in a dynamic and increasingly multifaceted global setting, you need to create an environment in which your customers are at the centre of every decision. Discuss the statement.
8. Discuss the concept of employee training, empowering, scheduling, motivation and meeting.

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UNIT 5 MANAGING CUSTOMER SERVICE AND SATISFACTION

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Structure

5.0 INTRODUCTION

A shopping centre is a commercial building, which is a commercial property where the preparation of a complete facility is required as one of the key elements for providing high quality services to visitors and other users. With the concept of service orientation as the main activity of trade, the organisation should emphasise the service system to ensure internal and external customer satisfaction. Satisfaction is born through "loyalty", with the customers returning for a particular product or service from the same supplier on an on-going basis (Baker et al., 2007).

Shopping is an essential and everyday activity (Ng, 2003). Recently, it has become very important to the public as a service for daily necessities and so on. According to Alexander and Muchlebach (1992), the management of shopping centres is planned and developed with two main purposes, which are intended to provide an optimal retail environment for retailers and to meet customer needs. This means that good management can increase the amount of rental space by the retailers as well as visitors, thus providing a good image for the shopping mall. Gussander (2004) states that the quality of a shopping mall can be measured from the customer's perception and that the customer's view is important in improving the shopping mall.

Therefore, to ensure that the objective of a shopping mall is achieved, the provision of services and the servicescape of the shopping mall should be enhanced. The term 'servicescape' is used to describe the physical environment of a service. Psychology shows that individuals respond to public places, and vice versa with the other forms, such as approach and avoidance behaviour (Mehrabian and Russell, 1974). Behavioural approaches include the desire to stay in a particular place and the desire to leave the place. Shopping in modern retail stores is essentially a sensory experience that attempts to engage, entertain, involve and absorb the customers through all five senses. Music, lights, colours, displays, fragrances, a soft and cosy ambience and many more elements shape shoppers' mood and behaviour (Jain and Bagdare, 2011). All of the aforementioned senses are included in servicescapes' dimensions. In this context, it can be seen from the perspective of tenants and customers that the tenants and customers will move to another shopping centre if the servicescape or physical environment in these places is not satisfactory. This also involves the elements of "revisit" that are argued by Kim and Moon (2009).

The environment is one of the many factors that can affect behaviour and provides a context in which behaviour occurs. The environment consists of elements such as brightness, size, shape, amount, odour, freshness, softness, smoothness and temperature. These factors will influence the customer who visits the mall (Jain and Bagdare, 2011). One of the most important tasks of managers is how to attract and retain consumers. It is necessary for them to identify the attributes of the retail characteristics that are most important to the buyer so that the retail strategy can be developed (Norazah, 2011). All of these factors are expected to play an important role in the success or failure of the shopping experience.

Customers include external customers, to whom companies sell products and services, and internal customers, who are the employees of the company. Companies sell to consumers, businesses, or both. Thus, there are two types of external customers, consumers or the ultimate end users, who are individuals and households, and business-to-business (B2B) customers (Swartzlander, A., 2004). The existence of the retail function is to meet the needs and requirements of its users. These concepts emphasise the "customer satisfaction" that appears to help the success of a business (Osman Md Zain, 1988).

According to Gerson (1993), customer satisfaction is when a product or service meets or exceeds a customer's expectations. Meanwhile, according to the Oxford English Dictionary (2004), satisfaction is a feeling of liking or being satisfied with something that has been done or achieved. Jasimin (2011) said that an individual's level of satisfaction varies according to time, situations and environments. According to a comprehensive study conducted by Yi (1990), customer satisfaction is defined as either a result or the process. The definition of satisfaction with the result reflects the results of previous experiences. There is a quote from John Wanamaker (1876), "When a customer enters my store, forget me, he is the King" (Retailization: Brand Survival in The Age of Retailer Power, 2006). This highlights the importance of

customers in a business. The retailers serve the customers as well as they can in order to satisfy the customer and, at the same time, to attract them to make purchases.

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5.1 UNIT OBJECTIVES

After going through this unit, you will be able to:

- Describe the major services provided by malls for customer satisfaction
- Know the determinants and importance of customer satisfaction
- Describe the gap model of improving customer services and customer satisfaction.

5.2 FACILITIES FOR PARKING, MULTIPLE PAYMENT OPTIONS, KIDS-KEEPING, QUICK COUNTER SERVICES, ETC.

Customer satisfaction can be achieved by improving service quality. Ciavolino & Dahlgaard (2007) contend that service quality is the measure of service levels based on the attributes of the core product. Such attributes include; Facility layout, display of products, clean environment, clear labeling. Other attributes can be location, Process—queue management, waiting time, express checkouts, supermarket operation hours, delivery time, additional services like parking, parent & baby facilities, and loyalty/membership cards, Product—variety of groceries, durability, merchandise quality and merchandising.

5.2.1 Facilities of Parking

Customer satisfaction is an important aspect when business is increasingly competitive. When a customer is not satisfied with the layout of the shopping mall, they will choose another shopping centre to visit (Chitale, 2008). Shortage of parking in the shopping mall is also among the issues that frequently arise (Noranisah, 2009). Parking shortages often occur at peak times, especially during large sales, salary time at the end of the month and at times of celebration and during the school holidays. There are a few other problems related to car parking in shopping malls, which are dysfunctional CCTV and no security guards (Utusan Malaysia, 2008).

Parking facilities are another element that must be provided in a shopping centre. Commonly, the ambience around shopping malls is devoted to parking, unless a multi-level parking structure is provided for customer use (Carter and Vendell, 2005). Parking facilities can be provided either on the ground floor or in the basement, in the manner of multi-storey blocks in the mall or in a clearing. The location of car parks in a shopping centre depends on the environment of the road system, local policies, other development areas, topography, development costs, availability, etc.

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(Darlow, 1972). At least two types of parking should be provided in the shopping centre parking lot, long-term parking that is focused on the employees, and parking for the short-term, which is focused on the customers of the shopping centre. The place prepared for the vehicles should have a control system such as an alarm, CCTV and security for the safety of the area.

Insufficient parking at the shopping mall will have a lot of impact not only on customers, but also to the management. Insufficient parking will lead to customers using the disable parking. The customer will park anywhere even on the road and disabilities' customer park. This will affect traffic. Travel in and out can be crowded and sometimes there will be accidents in the areas of shopping mall. For person with disabilities, they will have less interest in the shopping mall due to lack of attention to them (Baker, et al., 2007). Lack of carers and CCTV will also lead to customers feeling less safe as it can of theft, robbery, criminal cases (Utusan Malaysia, 2011) and others.

Characteristics of Effective Retail Parking

Reinvigorating retail in a downtown setting is one of the most difficult elements of downtown revitalization to get right. Convenient, plentiful and easily accessible parking is especially critical to the success of retail in a downtown area. What is often overlooked or underestimated in retail revitalization projects is a comprehensive "retail parking strategy." In many cases this will involve significant investment in new parking infrastructure or at least a restructuring or reallocation of existing parking resources. Once the parking supply issues have been addressed, a wide range of parking management strategies should also be considered. Taking a comprehensive approach to downtown retail parking is important because of the significant differences in the downtown environment compared to "the competition" (e.g., suburban malls or big box stores). The suburban malls and big box stores have several obvious parking advantages over downtowns:

- Plentiful land on which to provide cheap (perceived as free) surface parking
- Simple, easily understood access characterized by direct lines of sight from the parking lot to the store(s)

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- Generally high levels of service as expressed through short walking distances, generous parking stall widths, etc.
- Single ownership and control of dedicated parking resources
- Increased ability to control employee parking behaviours through direct management

Many downtowns have, in recent years, seen unparalleled success in their revitalization efforts. It is interesting to note that this success has not gone unnoticed by the shopping center industry. They have therefore adapted their strategies to stay competitive. There is only one enclosed (now considered "old style") mall under construction in the U.S. this year. The new trend for shopping centre design is the "Life Style Center" concept. These new shopping destinations emulate the character and features of "genuine downtowns" or "main streets." They often have all the amenities of downtowns and few of the "warts." The worst that can be said of them is that they lack that ineffable quality that comes with time, history and the diversity of a real downtown. They feel inauthentic and "cookie cutterish." However, they usually have plentiful, well located and (very often) free parking.

Elements of Downtown Retail Parking Strategy

The key elements of a downtown retail parking strategy include:

1. On-street Parking — As the most conveniently located parking assets (and therefore the most valuable), effective management on street parking spaces is critical. This generally includes:

- On-street parking being prioritised for short-term visitor parking
- On-street parking being priced higher than off-street parking
- Having an effective and consistent parking enforcement function — the primary goal of which is to enforce the rules designed to promote on-street space turnover
- Having an effective combination of time-limits to support the specific uses of downtown retailers. For example, coffee shops and dry cleaners have different needs than restaurants and clothing stores
- The use of easy to read, color-coded time-limit stickers on meters is a simple but important tool that lets drivers know the time-limit of an on-street space before pulling in to park
- Having an effective downtown loading zone plan to support retail deliveries
- Implementing a fine structure for on-street parking that is more forgiving to the occasional violator and more aggressive toward the real problem — repeat long-term parkers taking up what should be short-term parking
- Defining a well-developed legislative framework that supports enforcement practices (such as having a local ordinance that requires vehicles to move more than one block face after moving from one time-limited space to another)

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- Use of new parking enforcement technologies to improve the efficiency and effectiveness of enforcement efforts, such as computerised parking enforcement hardware and software programs and mobile license plate recognition systems with GPS capability.
- Consistent but unpredictable parking enforcement routes.
- A combination of on-street parking rates, fines and enforcement that ultimately promotes a consistent 15 percent vacancy rate for on-street spaces. Having a 15 percent on-street vacancy rate is considered important because it makes the downtown area appear to be more accessible and encourages potential customers to stop and shop if they see a well-designed storefront that appeals to them.
- In combination with the strategy above, providing signage about the availability of off-street retail parking is also important so that customers feel they have choices.
- The use of new on-street parking meter technologies that provide more customer-friendly payment options (this can either be multi-space meters or new single space meters that accept credit or debit cards) is becoming a primary strategy for downtowns. This has been aided by technological advances that incorporate wireless communications and solar power to reduce system installation and operational costs.

2. Off-street Parking — In downtown environments, a primary issue related to retail parking is to provide large, easy-to-find reservoirs of parking within close proximity to the retail cores or corridors. Small pockets of off-street parking may be useful for those who frequent the downtown area, but these resources are not adequate to effectively support a successful retail "hot spot." Specific issues for retail parking can include:

- As much as practical, retail parking reservoirs should be located within line of sight of the retail anchors and very convenient to the contiguous retail corridors.
- The street level of retail parking structures should be designed to maintain the street-level activity in the area by incorporating retail into the at-grade level. To support this primary design criterion, higher first floor heights should be planned.
- To the greatest degree practical, designing for a higher parking facility level of service or "user comfort factor" is recommended. Carl Walker has a defined set of parking garage design criteria to provide the appropriate degree of comfort for the intended users. These design criteria include such items as parking bay and stall widths, end-bay turn radii, floor-to-floor heights, etc. For a parking facility that is specifically designed to support retail land uses, the highest service levels are recommended.
- Direct connections from the retail parking structure to a retail anchor (via a sky bridge, for example) can be a desirable feature.

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- The perception of safety and security is critically important for a retail parking facility. Recommended design strategies for improving parking facility security include: glass-backed stair and elevator towers, adopting enhanced lighting levels, staining interiors white to improve lighting reflectivity and enhance the feeling of openness, securing the areas beneath stairwells, etc.
- Effective way-finding and facility signage is essential. Parking signage should be a significant element of a comprehensive way-finding program. As we do a better job of architecturally incorporating parking into mixed-use facilities, sometimes we hide the parking too well. Because of this, specific parking facility entrance signage is also very important.
- Other interior facility enhancements such as level-theming concepts, interior way-finding and level identification signage can also help make garages more colourful, visually interesting and aid patrons by making it easier to remember where they parked. This approach can also be used to connect with other community groups — for example some communities engage local artists by using garage level theming projects as art competitions. Similar projects include turning bike racks and bus stops into opportunities for community art.
- Off-street parking facilities should be properly maintained. This includes both daily maintenance duties (e.g., trash removal, cleaning elevators/stairwells, and cleaning all public spaces) as well as large-scale maintenance projects. A properly maintained facility will be perceived as more inviting and secure by retail customers — and proper maintenance will also protect your parking investment.
- Parking staff can also be an important part of the off-street parking experience. Parking staff should always have a neat appearance and be courteous and helpful to all parking customers. This should be stressed in appropriate policies, procedures and training programs.

3. Overall Parking Management — From a management and operations perspective, there are many effective strategies that downtown parking programs can employ to better support larger community strategic goals. Parking programs too often become focused on parking facility revenues or enforcement quotas to justify their programs. The best programs are those with a broader perspective that align their policies to help the communities they serve achieve success. By doing this, they can achieve even higher levels of success — both in terms of stimulating additional demand (and therefore parking revenue) and also by becoming a valued and integral partner in the success of the downtown. The following is a short list of strategies to frame the possibilities:

- Programs such as "First Hour Free" for public parking facilities can make downtown appear more visitor-friendly while providing both a more equitable program and simplifying the administration of traditional parking validation programs. While we support programs such as "First Hour Free" as an element

of a larger downtown revitalisation initiative, we recognise that paid parking in a downtown environment is a basic economic reality. We support the philosophy that "Parking should be friendly — not free."

- Another positive trend in the industry is the reinvestment of a portion of on-street and enforcement parking revenues back into the districts from which they were generated. This reinvestment can take the form of financial contributions to downtown organisations to promote the marketing of the district, as well as investments in specific district projects such as way-finding projects, Wi-Fi hot spots, flower basket programs, pop jet fountains, banner programs, etc. This reinvestment makes the districts more attractive and customer-friendly — and therefore more successful. It also makes the local merchants more tolerant of needed paid parking and enforcement programs because they see the benefits of not only increased on-street space turnover, but also tangible downtown improvements that their customers appreciate. It is incumbent on the parking programs that make these community investments to do a better job of promoting these contributions through enhanced community outreach and education.
- In retail parking structures, the lower levels (or more accurately, the most convenient parking areas) should be reserved for retail customer use. Employees or other groups should be assigned to park in other areas of the facility. Depending on the facility design, enforcement of these allocation strategies can often be enhanced through the use of what is termed "nested parking areas" using access control gates and card readers.
- Improving the training and customer service of frontline parking employees can have a tremendous effect because of all the individual "touches" parking staff make with the public on a daily basis. Training parking staff (cashiers, maintenance and enforcement staff) to adopt the role of "downtown ambassadors" rather than just parking attendants is a key attitude shift that should be actively promoted.
- Staining the interior of parking facilities white and adding colour (either through level theming graphics or even advertisements) can enhance parking facility interior environments and make facilities feel brighter and safer. Generally speaking, parking facilities have often been treated as very utilitarian structures – at best they were dull, grey and functional. At worst, they were dark, scary and confusing. Investment in parking facility interior enhancements can be a significant strategy for making downtowns more interesting, attractive and inviting destinations.
- The use of newer technologies and more customer-friendly parking access and revenue control systems can reduce wait times upon exiting and improve customer service by providing more convenient customer payment options These days there is both a "real world" and a "virtual program identity" online. Enhancing parking web sites with effective tools such as interactive parking

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maps, online payment options, parking rate and availability information, special event guides and other useful data is becoming more common. An important best practice in this area is a web site that provides a comprehensive overview of downtown including retail and restaurant offerings, cultural and special event venues and, of course, parking and transportation information. The best web sites have an overall map of the downtown with the ability to turn on each of the elements above as a map overlays or layers.

- Leveraging all of these program enhancements into a recognizable parking "Program Brand" can make people associate all the program enhancements with the public parking facilities and, therefore, they are more comfortable with downtown parking. Some communities even have radio ads promoting their parking system. In some communities the public parking programmers have made such noticeable strides forward that all the private parking operations were forced to also raise the standards of their operations. We call this the "high tide raises all boats" phenomenon.

5.2.2 Multiple Payment options

Online shopping retailers usually offer several ways of payment, such as online payment concerning credit card usage; payment with cash; and telegraphic remittance. Most consumers choose a payment method not only based on convenience, but also what's more important is security. Online shoppers expect websites to protect personal data, provide for secure payment, and maintain the privacy of online communication (Franzak et al., 2001). Grace and Chia-Chi (2009) argued that customers will base on certain criteria to evaluate the usefulness and ease of use for a particular website, including information search, internet subscription and payment methods. In addition, Grace and Chia-Chi (2009) also found that when a customer spends a long time to understand and familiarise himself or herself with shopping and payment procedures at a certain shopping website, the specific holdup cost paid on related intangible things will increase. Therefore, making the payment procedure easy is of importance for online retailers to maintain customers and increase consumer satisfaction level (Grace & Chia-Chi, 2009).

While buying products on retail stores, it is extremely important that you select the right payment method for yourself. Retail stores offer an array of payment options, both online and offline, which are made available to you by the seller. Different payment methods have innumerable advantages and every option can work differently for different buyers.

Before you buy an item, always make sure that the seller's payment methods will work for you.

Payment Methods

Online Payment Methods (PaisaPay)

- Online Bank Transfer

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- Credit Card
- Debit Card
- Cash Card
- Mobile Payment (IMPS/Airtel Money)

Offline Payment Methods

- PaisaPay Cash on Delivery
- Cheques
- Demand Draft
- Buyer picks up and pays

Payment Method	**Benefits and Risks**
PaisaPay Online Payment Methods	
Credit Card	• Fast, easy and secure way to make payments
Debit Card	• You can get full refund of item amount, if item is not delivered by seller.
Online Bank Transfer	• If the item is not as described, you can claim protection under store gurantee.
Cash Card	• If seller offers PaisaPay on fixed price items, you can purchase the items using your Shopping Cart.
Mobile Payment	• Pay using EMI (3 or 6 monthly installments) when paying with different banks credit card.
Note: Incase of some debit card payments, you would be redirected to the bank's site to provide card details.	*Note:* EMI facility is not available on debit cards
Offline Payment Methods	
PaisaPay Cash on Delivery	
Cheques	
Demand Drafts	
Buyer pays and Picks Up	
PaisaPay Cash on Delivery	

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Buyer has to make the payment in cash to the delivery agent at the time of delivery of the item at the address mentioned by him	• Easy to use • You pay for the item only after you receive it • Not available for Shopping Cart purchases
Cheques	• Traceable to a particular mailing address. • Provides proof of payment. • Sellers will ship the item only after they received cleared payment • Most banks offer a stop payment service if problems arise before the cheque is cashed.
Demand Drafts	• Receipts are provided at the place of issue. • Demand drafts are traceable.

5.2.3 Kids-Keeping

Some mall owners, such as Westfield Group are experimenting with play areas for older children. At its Galleria at Roseville mall in Roseville, Calif., Westfield is testing out a play area stocked with puzzles, touch-screen games and Jenga-style games tailored to 6- to 10-year-olds no longer content to run or climb. Westfield aims to expand the program to five or six malls in the next year.

You'd never think of letting your child ride in the car without his seat belt fastened, but how about when he's in a shopping cart? You always hold his hand when he crosses the street, but how often do you reach for it when you step onto an escalator at the mall? When it comes to kid-safety hazards, it's easy to get caught up in worrying about the big, obvious threats, such as car accidents, toy recalls, and dangerous playground equipment. And with good reasons, since they are responsible for many childhood accidents. But an everyday trip to the mall—where parents are often distracted and kids are intrigued by elevators, escalators, and elaborate store displays—poses a surprising number of hazards that can cause severe injuries. We asked experts how you can safely navigate the following four danger zones when you and your kids hit the stores.

The following points should be remembered for securing safety of your children:

- If your child has an older sister or brother, you may allow them to go and supervise your younger son or daughter. That said, the younger sibling may not be open to this idea.
- Never let your child go to the mall alone. Be sure they always go with at least one responsible person, be it their friend, family member, etc.
- Realize that your local mall has security posted around the mall to prevent the harm, or even abduction, of your child. If you find the security at the mall to be

inadequate, perhaps you should take your child to a mall with more responsible and efficient security around.

- Be sure your child has a cell phone, or their friends have a cell phone, with which they can call or contact you immediately in a bad situation to ask for your assistance.
- Though your child may not like the idea of you watching them at the mall while they try to have fun with their friends, remind them that malls are quite large. That said, while your child and his or her friends roam the mall, you can go to the mall too, but not stay with them. Sit at the food court, do whatever catches your fancy. Most kids are embarrassed by parents who follow them everywhere, so don't stalk them.
- Realize that your kid will be with friends the entire time. If not? Tell them to bring at least one of their friends. Since it's their friend, they probably won't complain, and assuming you trust your child's friends, it won't be a problem. Having a responsible buddy with your child is always a good thing.
- It is understandable to be worried about your son or daughter, as you are a parent. However, by the time they are twelve, you ought to let them go to the mall with their friends minus your supervision. Especially, by the time they are teens, the last things they want is their mother or father always breathing down their necks! Give them a reasonable amount of freedom.

5.2.4 Quick Counter Services

There was correlation in term of satisfaction levels between number of counters, express counters and waiting time at queues. Nowadays customers are time conscious and they like to buy through express counters because they want to save time spent at queue. According to Katz et al (1991), waiting time in a retail store is an experience that can lead to consumer dissatisfaction. Consequently, Hui et al (1997) also assert that the former can negatively affect the store patronage behaviour of a customer. Previous research by Kumar et al (1997) finds that wait length expectations influence satisfaction with the waiting experience thus the need to find out how customers expectations of a wait influence their patronage decision. In their support, Taylor (1994) also finds that greater consumer satisfaction is obtained with shorter waiting periods. Thus there is need for supermarkets in particular to manage long queues especially during peak hours when the traffic in the stores is heavy.

Counter service is a type of hospitality strategy that is used in bars, pubs, and some restaurants. Sometimes referred as bar service, this approach to serving customers involves providing food and drink at a counter or bar, rather than at a table. Over the years, two specific forms of counter services have evolved, with both approaches used around the world.

One approach to counter service involves seating a customer at the bar or counter. The customer then places an order, which is prepared and served at the bar. With this model, the customer remains seated at the counter to consume the food and drink.

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A second type of counter service applies a slightly different strategy to customer care. The customer still approaches the counter, and places an order, but is likely to remain standing. The order is prepared and placed before the customer, often on a tray. Instead of remaining at the bar, the customer takes the food-laden tray and proceeds to a dining area, where tables and chairs are available.

Great customer service leads to loyal customers which is a key element of customer retention. From my previous post on customer retention, you'll know how extremely important this is to growing and building your business as profitably as you can. It's easy to forget your online customers because you can't physically 'see' them or interact with them face-to-face, however this doesn't mean that their needs aren't as real as in-store customers. We've come to expect that great customer service is felt and experienced when shopping on the high street and that when buying online, customer service isn't seen to be as important due to most customers completing the basket without any real need for personal interaction.

With the percentage of customers shopping online increasing each year, it's important that online / virtual customer service is as present as ever. Customers still expect the same levels of customer service when purchasing their items online as they do when in store, and they are coming to expect that all important 'personal touch' too. My recent experience with online fashion retailer Warehouse is a perfect example. They went above and beyond in assisting me with my query. Their responses to my emails were extremely quick and the same person contacted me each time which made the experience feel very personal from start to finish. Even when I thought, I was asking for more than I thought was possible, they continued to aid me in my query and fix any issues I had. I was very impressed with their online customer service that I will more than likely shop online with them again, rather than go into their store.

Malls like, LuLu Hyper Market in the gulf, provide for quick counter service to customers who have bought upto 5 items only and make cash payment. I think this way the LuLu is attracting even 'small–buyers' as well.

5.3 CUSTOMER SATISFACTION

According to Hasemark and Albinsson (2004) cited in Singh (2006:1) "satisfaction is an overall attitude towards a product provider or an emotional reaction to the difference between what customers expect and what they actually receive regarding the fulfillment of a need". Kotler (2000); Hoyer & MacInnis (2001) also define satisfaction as a person's feelings of pleasure, excitement, delight or disappointment which results from comparing a products perceived performance to his or her expectations. Satisfaction means the contentment one feels when one has fulfilled a desire, need or expectation. Furthermore, customer satisfaction can be a measure of how happy customers are with the services and products of a supermarket. Keeping customers happy is of tremendous benefit to companies. Satisfied customers are

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more likely to stay loyal, consume more and are more likely to recommend their friends to the business.

Ciavolino & Dahlgaard (2007) suggest that "customer satisfaction can be defined as the overall evaluation of the service performances or utilisation." Customer satisfaction can also be measured using some questions like, considering all your experience of company X, how satisfied are you in general on a scale from completely satisfied to dissatisfied? Another question could be to what degree did company X fulfill your expectations? On a scale of much less than expected to much more than expected? According to Hoyer and MacInnis (2001) satisfaction can be associated with feelings of acceptance, relief, excitement and delight. Furthermore, Zairi (2000) says that many studies have viewed the impact of customer satisfaction on repeat purchase, loyalty and retention and they have all echoed concern that customers who are satisfied are most likely to share their experiences with other people with regards to about five to six people. Additionally, this research is supported by La Barbera and Mazarsky (1983) who also imply that satisfaction influences repurchase intentions whereas dissatisfaction is seen as a primary reason for customer defection or discontinuation of purchase. Hoyer and MacInnis (2001) also say that dissatisfied customers can choose to discontinue purchasing the goods or services and engage in negative word of mouth. Since, a lot of research has been performed in the field of customer satisfaction, many definitions have been formulated as to what Customer satisfaction entails. However, for the purpose of this paper while defining satisfaction, we refer to the customer's satisfaction with the stores which they visit often, with respect to ICA Supermarket Atterdags, ICA Nära and Coop Forum supermarkets/ hypermarket. According to MCGoldrick and Ho (1992); Walters and Knee (1989), store offer comprises of four dimension which are store merchandise, trading format, customer service and customer communication each of which is evaluated differently by consumers. They further state that merchandise refers to quality and price of the products carried by the store. Similarly, the trading format consists of elements like location, layout and atmosphere. Lastly, customer service includes the level of assistance provided by the retailer, the speed of service and friendliness of staff.

Customer satisfaction can be achieved by improving service quality. Ciavolino and Dahlgaard (2007) contend that service quality is the measure of service levels based on the attributes of the core product. Such attributes include; Facility layout- display of products, clean environment, clear labeling. Other attributes can be location, process-queue management, waiting time, express checkouts, supermarket operation hours, delivery time, additional services like parking, parent and baby facilities, and loyalty/membership cards, product—variety of groceries, durability, merchandise quality and merchandising.

5.3.1 Importance of Customer Satisfaction

It is extremely important to satisfy customers because a retailer's sale comes from two groups of customers: new customers and repeat customers. In retailing, attracting

new customers is likely to cost company five times as much as pleasing an existing customer. Customer retention is more important than customer attraction, and a key to customer retention is customer satisfaction. A highly satisfied customer:

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- Stays longer
- Buys more as the retailer introduces new products and upgrades existing brands
- Talks favourably about the retailer and its merchandise
- Pays less attention to competing brands and advertising and is less sensitive to price
- Offers products/service ideas to the retailer
- Costs less to serve than new customers

5.3.2 Determinants and Levels of Customer Satisfaction

Satisfaction according to Hokanson (1995) is affected by many factors which include friendly employees, courteous employees, knowledgeable employees, and helpful employees, accuracy of billing, competitive pricing, service quality, good value and quick service. For purposes of this study, we concentrate on nine dimensions of customer satisfaction which are Location, Additional Services, product quality, Service Quality, Facilities, Reliability, process, Value for money, Staff and Personnel service. The following are the key determinants of customer satisfaction:

Location

The location of any store is always very important. Location can mean convenience and accessibility. Location can also refer to the number of stores in a particular geographical setting. According to Martinéz-Ruiz et al (2010:280), suggest that once a location is near to the home then transaction costs associated with purchase such as transport costs and time spent are likely to be reduced. According to Reilly (1931) who developed Reilly law of retail gravitation which proposes that people are drawn to larger shopping thus larger cities tend to attract more customers to shop their than smaller ones therefore the need for supermarkets to consider location when putting up facilities. This is further supported by Craig et al (1984) who use the central place theory to explain how people living far away are attracted to larger stores which are centrally located in larger shopping malls offering more collection of goods and services than those stores within their own vicinity offering less goods and services.

Additional services

This dimension will consist of four elements membership card, parking lot, baby areas and delivery of goods. Martinéz-Ruiz et al (2010) assert that customers always look for convenience benefit in the modern environment. Additional services are essentially important in the retail business and play a role in determining customer satisfaction through creation of convenience. For example, Grewal et al (2002) concur

those additional services like the availability of parking can create convenience for customers with vehicles thus leading to a positive effect on customer satisfaction. Other additional services like the membership card/loyalty card also provide access to discounts and promotional goods.

Product Quality

Product quality according to Garvin (1987) is described using eight attributes which are:

1. Performance which refers to a product's primary operating characteristics.
2. Features: These are additional features which are also known as the bells and whistles of the product.
3. Conformance: Conformance which is described as the extent to which a product will operate properly over a specified period of time under stated conditions of use.
4. Reliability: the probability that will operate properly over a specified period of time under stated conditions of use.
5. Durability: It is the amount of use a customer gets out of use of a product before it physically deteriorates or until replacement is preferable.
6. Serviceability: the speed competency and courtesy of repair.
7. Aesthetics: How a product appeals to all the five senses of a human.
8. Customer perceived quality: Customers perception of a products quality based on reputation of the firm.

Facilities

Under this dimension we use three elements like display, music and clean and spacious atmosphere to measure the effect of supermarket facilities on customer satisfaction.

According to Inman et al (2009) a grocery store is described as a place of sensory stimuli where consumers find colourful product displays coupled with fruits and flowers with perfectly displayed packages of snacks and advertisements covering the floor. They further argue that some customers then use the in-store stimuli as cues to remind them of what groceries they need and also assert that certain consumers enter shops without the intention of buying certain goods but end up buying a particular set of goods because the in-store stimuli has triggered unrecognised needs and desires leading to in-store decision making.

Reliability

Reliability refers to how much trust can be afforded the supermarket staff and organisation for example through parameters like accurate billing. "Reliability refers

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to the promises given by the store. If the store cannot keep or breaks the promises, it dissatisfies customers and results in negative word-of-mouth. In contrast, when the company is able to keep its promises, it increases customer confidence in the store and creates customer satisfaction and lead to loyalty", (Yuen & Chan 2010:236).

Process

Process will be measured using three elements such as number of checkout counters/ express checkout counters, opening hours and queue waiting time at counters. It is important to manage these elements of process in service delivery as they can make or break Customer satisfaction.

According to Katz et al (1991), waiting time in a retail store is an experience that can lead to consumer dissatisfaction. Consequently, Hui et al (1997) also assert that the former can negatively affect the store patronage behaviour of a customer. Previous research by Kumar et al (1997) finds that wait length expectations influence satisfaction with the waiting experience thus the need to find out how customers expectations of a wait influence their patronage decision. In their support, Taylor (1994) also finds that greater consumer satisfaction is obtained with shorter waiting periods. Thus there is need for supermarkets in particular to manage long queues especially during peak hours when the traffic in the stores is heavy.

Value for money

According to Ciavolino & Dahlgaard (2007), value for money is the perceived level of quality relative to the price paid for a product or service. Value of money is based on competitive pricing of products, discounts awarded to customers, and promotions. Cronin & Taylor (1992) claimed that customer satisfaction is not only affected by customer services but also by price and convenience. Additionally, several researches have been done on the value for money and the value attached to it by customers. These studies also point out the difference between price and quality and how they influence perceived value, customer satisfaction and customer behaviour.

Personnel service

Some researchers suggest that people like to socialise outside their homes for example Tauber (1972) asserts that certain groups of people like to shop at particular stores because the stores offer them opportunities to socialize with fellow shoppers and he also claims that shoppers prefer to shop at stores where they find friendly and courteous personnel. Refers to the quality of service related to the core products. Quality will be measured using variables like personnel service, friendly staff, courteous and knowledgeable staff. The speed of solving problems is also an important variable. We also keep in mind the ability of staff to offer personalise service such as being able to recognize frequent customers and even greet them by name.

Case Study: Walmart's Competitive Advantage

Walmart's competitive strategy is to dominate every sector where it does business. It measures success in terms of sales and dominance over competitors. Its strategy is to sell goods at low process, outsell competitors, and to expand. Generally, Walmart does everything it can to win over competitors.

A typical Walmart model is to build more stores, make existing stores bigger, and to expand into other sectors of retail. Every step of the way, it strives to make money and dominate its competitors, to the point of putting some of them out of business.

Walmart
Save money. Live better.

The corporate mission of Walmart can be stated as follows:

As Walmart continues to grow into new areas and new mediums, our success will always be attributed to our culture. Whether you walk into a Wal-Mart store in your hometown or one across the country while you're on vacation, you can always be assured you're getting low prices and that genuine customer service you've come to expect from us. You'll feel at home in any department of any store…that's our culture.

The company has three "Basic Beliefs" or core philosophies Sam Walton built the company on. Those beliefs are: (1) Respect for the Individual, (2) Service to Our Customers, and (3) to Strive for Excellence. Respecting the individual is a call for treating their employees well and pushing them to excel in what they do. The commitment to their customers is a goal whereby the stores respect a pricing philosophy to always sell items as low as they can while providing excellent customer service. The third belief is to strive for excellence, that is, to expand the store, innovate or reach further into new markets and to grow.

Other beliefs include, exceeding customer expectations with "aggressive hospitality" such as using door greeters. The store also features patriotic display and themes in its US stores. Another goal for the company is to support efforts in the local community via charitable contributions. Walmart identifies several affiliations with charities such as the United Way and the Children's Miracle Network.

During the 1970s, the retail industry became highly competitive, but, at the same time the economy became weak due to inflation. Sears was the leading retailer in the nation, during the 1970s, however, the recession of 1974–1975 and inflation affected Sears adversely. Sears targeted middle class families and expanded its

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Check Your Progress

1. Explain the meaning of servicescape.
2. Define customer satisfaction.
3. What do you mean by realibility?

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overhead. Walmart's strategy was to compete with its rivals and lower overhead expenses. Compared with Sears, which consisted of more than 6,000 distribution centers, Walmart had only 2,500 comparable units.

Walmart centered on small-towns first then tried to move to large cities. This happened while other retailers centered on larger urban centers. However, as the economy faced a downturn, people wanted low price stores. Furthermore, as people became mobile, they moved to small towns and suburbs and were willing to travel further to buy low price products.

During the 1980s, local chambers of commerce supported Walmart because they believed that the company helps a local economy by providing good quality products at low prices. Unfortunately, critics contend that the success of Walmart hurts the existing local independent merchants. Despite the criticism that Walmart destroys small-town competitors, the local chambers of commerce endorsed Walmart. In addition, the chambers of commerce account that the arrival of Walmart provided jobs for people and a more diverse opportunity for local merchants by adapting to the new business environment.

When Walmart first arrived on the scene with their low prices, Kmart stores was unable to discount brand-name products. Customers wanted to buy good quality brand-name products. Kmart provides non-name brand goods cheaply; however, it could not maintain constant low prices with its name-brand products. Kmart and Sear could not beat Walmart due to several reasons: First, Sears' prices are higher than Walmart's because the Sears infrastructure gives it higher overhead costs. Kmart declined in customer appeal because it neglected its store environment and could not provide satisfactory levels of service for its customers. Widespread complaints of poor customer service at Kmart began to surface while Walmart placed emphasis on customer satisfaction and neat store environments.

Walmart is also on top of their game because of the management strategies they employ. The management strategies of Walmart emphasize its workforce and its corporate culture; that being a morally conservative, religious, and family-oriented business. Walmart emphasizes how it listens to the needs of its workforce so that each employee is able to suggest improvements to company policy and practice. At Walmart, store employees are called "associates".

The company offers generous financial rewards for employees by means of profit-sharing plans such as stock-purchase options. Furthermore, the company provides comprehensive training programs for all employees.

Walmart's Control System

Each store constituted an investment centre and was evaluated on its profits relative to its inventory investments. Data from over 5,300 stores such as sales, expenses, and profit and loss were collected, analysed, and transmitted electronically

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on a real-time basis, rapidly revealing how a particular region, district, store, department within a store, or item within a department is performing. Information enables the company to reduce the likelihood of stock-outs and the need for markdowns on slow moving stock, and to maximise inventory turnover.

To reduce the costs of shoplifting and pilferage, Walmart addressed this issue by instituting a policy that shared 50% of the savings from decreases in a store pilferage in a particular store, as compared to the industry standard, among that store's employees through sore incentive plans.

The "Sundown Rule" is a corporate directive whereby all Walmart employees, be they store "associates," management, or corporate staff, must reasonably answer a customers or supplier request or question within 24 hours.

The "Ten Foot Rule" states that store employees must greet, smile, and attend to a customer in a store when within 10 feet of them. It's a type of aggressive hospitality policy. Walmart also compels its staff to engage in morning "cheers" where they recite company sayings.

A final, yet important rule, which is a strong part of the corporate culture is Sam Waltons' "Pricing Philosophy" which underlines the company strategy of selling items for less than their competitors, "always."

Walmart pushed the retail industry to establish the universal barcode, which forced manufacturers to adopt common labeling. The bar allowed retailers to generate all kinds of information—creating a subtle shift of power from manufacturers to retailers. Walmart became especially good at exploiting the information behind the barcode and is considered a pioneer in developing sophisticated technology to track its inventory and cut the fat out of its supply chain.

Walmart became the first major retailer to demand manufacturers use Radio Frequency Identification Technology (RFID). The technology uses radio frequencies to transmit data stored on small tags attached to pallets or individual products. RFID tags hold significantly more data than barcodes. During the first eight months of 2005, Walmart experienced a 16 percent drop in out-of-stock merchandise at its RFID-equipped stores.

Though Walmart may have been the top customer for consumer product manufacturer, it deliberately ensured it did not become too dependent on any one supplier; no single vendor constituted more than 4% of its overall purchase volume. In order to drive up supply chain efficiencies, Walmart had also persuaded its suppliers to have electronic 'hook-ups' with its stores and adapt to its latest supply chain technologies like RFID which could increase monitoring and management of the inventory.

Walmart used a "saturation" strategy for store expansion. The standard was to be able to drive from a distribution centre to a store within a day. A distribution

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centre was strategically placed so that it could eventually serve 150–200 Wal-Mart stores within a day. Stores were built as far away as possible but still within a day's drive of the distribution center; the area then was filled back (or saturated back) to the distribution center. Each distribution center operated 24 hours a day using laser-guided conveyer belts and cross-docking techniques that received goods on one side while simultaneously filling orders on the other.

The company owned a fleet of more than 3,000 trucks and 12,000 trailers. (Most competitors outsourced trucking.) Walmart had implemented a satellite network system that allowed information to be shared between the company's wide network of stores, distribution centres, and suppliers. The system consolidated orders for goods, enabling the company to buy full truckload quantities without incurring the inventory costs.

Source: *http://www.mbaknol.com/management-case-studies/case-study-wal-mart%E2%80%99s-competitive-advantage/*

5.4 STRATEGIC ADVANTAGE THROUGH CUSTOMER SERVICE AND CUSTOMER SATISFACTION (CS&CS): CS&CS STRATEGIES

Great customer service makes a lasting impression on every user of your product or service. The impression can be so strong it increases the lifetime value of the customer while bringing new customers through a referral channel.

If your small, great customer service can be the single thing that differentiates your company from your competition. Zappos used the customer service angle to build an incredible company that was finally sold to Amazon for $1.2 billion. Zappos secret was to go above and beyond for customers. In doing this, customers wrote amazing testimonials for them. Zappos attracted future customers through their interactions with their current customers.

Zappos acquirer, Amazon, is similar in their customer-centric approach. Amazon Prime for mothers, Amazon's mission statement, their customer service awards, and customer service compliments emphasise their focus on customer service.

Great customer service is something humans crave. In *How to Win Friends and Influence People*, Dale Carnegie explains how everyone wants to feel important. We crave others to appreciate us. This hidden quirk can be utilised to help you (in dealing with others) and your company to be incredibly successful. However, be sincere with your compliments and service. If you are disingenuous, and it is detected, it will backfire.

Customer service is not always crucial to the success of an organisation. Its importance is determined primarily by supply & demand. If there are few suppliers and many

consumers, suppliers can dictate the terms of the relationship and customers may have no choice but to accept them.

Most organisations, however, are not so lucky. Competition has exploded the cozy castles of all but a few protected markets, and will continue to undermine those as well.

Where competition flourishes, customer service is essential to an organisation's long-term viability. It must be central to its strategy. A company can outperform rivals only if it can establish a difference that it can preserve. Customer service is such a difference.

Few companies are able to excel at customer service, because it is very difficult to control. Left to itself, the level of service may vary greatly between two servers in the same restaurant. One salesperson may offer great service to one customer, and then aggravate the very next person in line. The difficulty is compounded when you have a multi-unit operation. In addition to variability within units, you also have variability among units.

That is both the challenge and the opportunity. The consistent delivery of superior service requires the careful design and execution of a whole system of activities that includes people, capital, technology, and processes. The few companies that can manage this system do stand out, and are sought out. This is the foundation of what Michael Porter calls their sustainable competitive advantage.

But although it does require an almost heroic effort to build and maintain such a system, it's not so hard to get it started. Service today is in such a sorry state that it doesn't take much to surprise most customers, and to make them want to come back for more. The trick is to get started before your competitors do, then to stay a few steps ahead.

By doing so, you'll be doing your whole industry (or community, or strip mall) a favour. Unlike price competition, which tends to sink all players, competition on the basis of service is one of those tides that lift all boats.

5.5 GAP MODEL OF IMPROVING CUSTOMER SERVICES AND CUSTOMER SATISFACTION

The Gap Model of Service Quality has been developed by Parasuraman and his colleagues which helps to identify the gaps between the perceived service qualities that customers receive and what they expect. The model identifies five gaps:

- Consumer expectation—management perception gap.
- Management perception—service quality expectation gap.
- Service quality specifications—service delivery gap.
- Service delivery—external communications to consumer's gap.
- Expected service—perceived service gap.

Gap–5 is the service quality shortfall as seen by the customers, and gaps 1–4 are shortfalls within the service organization. Thus gaps 1–4 contribute to gap – 5. These gaps are given in the following figure:

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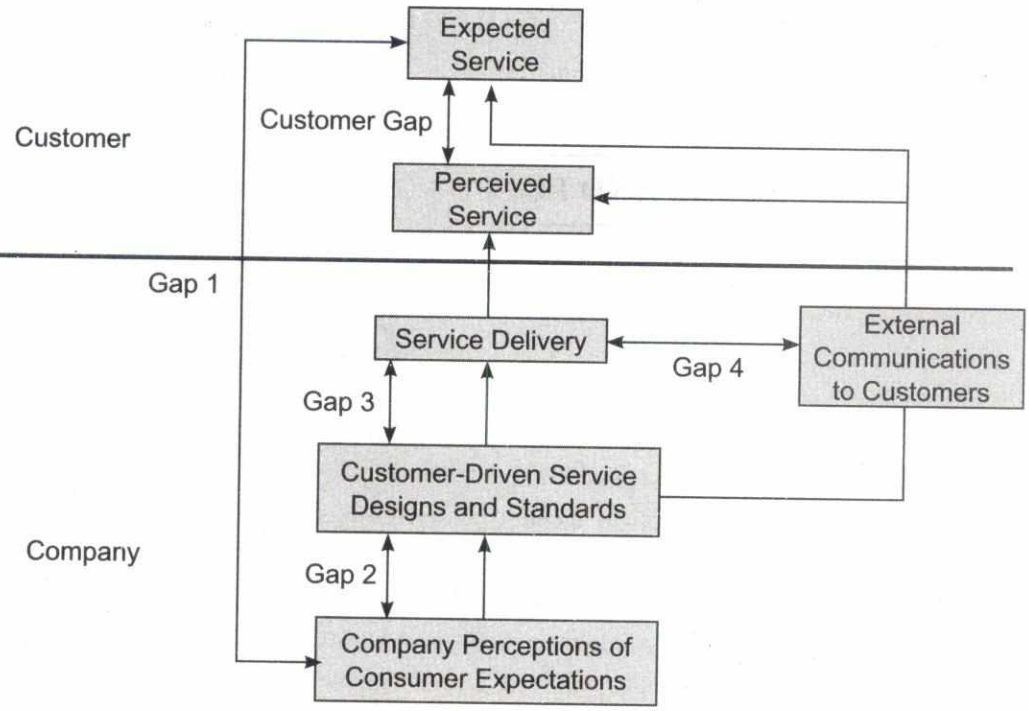
The first gap is the difference between consumer expectations and management perceptions of consumer expectations. Research shows that financial service organisations often treat issues of privacy as relatively unimportant, whilst consumers consider them very important.



The second gap is the difference between the management perceptions of consumer expectations and service quality specifications. Managers will set specifications for service quality based on what they believe the consumer requires. However, this is not necessarily accurate. Hence many service companies have put much emphasis on technical quality, when in fact the quality issues associated with service delivery are perceived by clients as more important.

The third gap is the difference between service quality specification and the service actually delivered. This is of great importance to service where the delivery system relies heavily on people. It is extremely hard to ensure that quality specifications are when a service involves immediate performancc and delivery in the presence of the client. This is the case in many service industries: for example, a medical practice is depending on all the administrative, clerical and medical staff performing their tasks according to certain standards.

The fourth gap is the difference between service delivery intention and what is communicated about the service to customers. These established expectations within the customer may not be met. Often this is the result of inadequate communication by the service provider.

The fifth gap represents the difference between the actual performance and the customer perception of the service. Subjective judgement of service quality will be affected by many factors, all of which may change the perception of the service which has been delivered. Thus a guest in a hotel may receive excellent service throughout his stay, apart from poor checking out facilities. But this last experience may damage his entire perception of the service, changing his overall estimation of the quality of the total service provided from good to poor.

The gap model outlined above provides a framework for developing a deeper understanding of the causes of service quality problems, identifying shortfalls in service and determining the appropriate means to close the gaps.

5.6 EXPECTATIONS AND FULFILLMENT

Expectations are beliefs (likelihood or probability) that a product/service (containing certain attributes, features or characteristics) will produce certain outcomes (benefits-values) given certain anticipated levels of performance based on previous affective, cognitive, and behavioural experiences. Expectations are often seen as related to satisfaction and can be measured as follows:

- ***Importance:*** Value of the product/service fulfilling the expectation.
- ***Overall affect:*** Satisfaction expectations: Like / Dislike of the product/service.
- ***Fulfillment of expectations:*** The expected level of performance vs. the desired expectations. This is "Predictive Fulfillment" and is a respondent-specific index of the performance level necessary to satisfy.
- ***Expected value from use:*** Satisfaction is often determined by the frequency of use. If a product/service is not used as often as expected, the result may not be as satisfying as anticipated. For example a motorcycle that sits in the garage, an unused year subscription to the local fitness center/gym, or a little used season pass to a ski resort would produce more dissatisfaction with the decision to purchase than with the actual product/service.

Measuring Expectations

In building a customer satisfaction survey, it is also helpful to consider reasons why pre-purchase expectations or post-purchase satisfaction may not be fulfilled or even measurable.

- Expectations may not reflect unanticipated service attributes.
- Expectations may have been quite vague, creating wide latitudes of acceptability in performance and expected satisfaction.
- Expectation and product performance evaluations may be sensory and not cognitive, as in taste, style or image.

- The product use may attract so little attention as to produce no conscious affect or cognition (evaluation) and result in meaningless satisfaction or dissatisfaction measures.
- There may have been unanticipated benefits or consequences of purchasing or using the product (such as a use or feature not anticipated with purchase).
- The original expectations may have been unrealistically high or low.
- The product purchaser, influencer, and user may have been different individuals, each having different expectations.

Recent interpretations in the consumer domain now couch satisfaction as a fulfillment response. Fulfillment implies that a consumption goal is known, as in basic motives of hunger, thirst, and safety. However, observers of human behaviour understand that these and other goals can be and frequently are modified and updated in various ways. Thus, consumer researchers have moved away from the literal meaning of satisfaction and now pursue this concept as the consumer experiences and describe it. In Oliver (1997, p. 13), the following definition has been proposed as being consistent with the conceptual and empirical evidence to date: Satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment.

Here, pleasurable implies that fulfillment gives pleasure or reduces pain, as when a problem in life is solved. Thus, individuals can be satisfied just to get back to normalcy, as in the removal of an aversive state (e.g., pain relief). Moreover, fulfillment is not necessarily limited to the case of met needs. Over-fulfillment can be satisfying if it provides additional unexpected pleasure; and under-fulfillment can be satisfying if it gives greater pleasure than one anticipates in a given situation. Note that it has not been necessary to provide a separate discussion of dissatisfaction. If the word displeasure is substituted for pleasure in the satisfaction definition, dissatisfaction results. Thus, the displeasure of under-fulfillment typically is dissatisfying and, interestingly, over-fulfillment may be dissatisfying if it is unpleasant—the case of "too much of a good thing."

Case Study: Business Model Innovation and Customer-Driven Innovation at Dell

Business model innovation at Dell

Michael Dell did not devise the laptop computer, but he did invent a new business model for the industry: Build computers to order and fill orders by operating a highly automated and digitized supply chain. IT is the great enabler of these changes. Dell saw the disorganisation in the computer industry and found a new way of producing profits.

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Check Your Progress

Fill in the Blanks

4. The .... of Service Quality has been developed by Parasuraman and his colleagues which helps to identify the gaps between the perceived service qualities that customers receive and what they expect.
5. The first gap is the difference between consumer expectations and .... of consumer expectations.
6. .... are beliefs (likelihood or probability) that a product/service (containing certain attributes, features or characteristics) will produce certain outcomes (benefits-values) given certain anticipated levels of performance based on previous affective, cognitive, and behavioural experiences.
7. .... implies that a consumption goal is known, as in basic motives of hunger, thirst, and safety.

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IT managers are well positioned to confront conventional ways of doing business. There are ways to consolidate operations and reduce inventory to redeploy capital to growth opportunities. It will help business processes and also customers be linked to reduce errors and increase the speed at which orders are filled and problems solved. This is a radical approach for Dell—a new way of operating and dramatically lowering the costs of doing business.

To deliver effective solutions that meet customer challenges, Dell concentrates on pivotal standards that drive future technology innovation. Dell's industry leadership places it in a unique position to help set up the core building blocks for the future innovation—in the home, the office and the enterprise. With a long track record of pioneering work and wide network of strong industry alliances, Dell can drive implementation of open standards that give customers more choices, lower costs and complexity, and interoperability.

Working collaboratively with foremost suppliers and standards organisations, Dell has driven standards that not only benefit customers, but often result in industry-changing developments such as:

- Focus on the Best Solution, not the Best Technology: Dell is really a superb product integrator and also a tremendously good sales-and-logistics company. As *Fortune* magazine wrote: "A Dell *mantra* is that today's technology is tomorrow's commodity. Dell waits until the cost of that technology falls low enough for it to be stuffed into computers at state-of-the-art factories and then sold direct at a cheap price, which allows the company to drive for share."
- Teaching Innovative Thinking: Michael Dell says "It is really dangerous if everyone in a company starts thinking the same way. The danger comes when you fall into the trap of approaching problems too similarly. You can encourage your people to think about your business, your industry, and your customers innovatively."By approaching a problem, a response or an opportunity from a different outlook, you create an opportunity for new understanding and new learning. By questioning all the aspects of our business, we continuously bring in improvement and innovation into our culture. How can we teach people to be more innovative? Ask them to approach a problem in a holistic sense.

Customer Driven Innovation at Dell

Dell has continued to provide distinctiveness to the industry, giving new products, pioneering critical developments and innovations in home, small business and enterprise computing. Dell's R&D efforts now extend to all over other industries, driven by some of the industry's leading product designers and engineers. The focus point of Dell's innovation approach, however, remains an unwavering commitment to delivering new and better solutions that directly address customer needs. Dell start their innovation process with asking their customers, "What

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would you really want this thing to do? Is there a different way to accomplish that?" Then they meet with their suppliers and ask, "Can we do this in a different way?" Then they try to come up with a totally different approach that exceeds the original objectives. To constantly bring information from the outside world into Dell, with an eye towards staying as competitive as they can, Michael Dell employs a range of innovative approaches. He says, "I also enjoy roaming around outside the company to see what people think of us. On the Web that is best platform to get feedback through communities at Facebook, Twitter etc, nobody knows I'm a CEO. I'll hang out in chartrooms where actual users commonly chat about Dell and our competitors. He listens to their discussions as they talk about their purchases and their likes and dislikes, this is a wonderful learning opportunity and also getting Feedback from Customers and Suppliers.

- **Listen:** Dell understands the necessity directly through tens of thousands of customer interactions, organized events, social media venues such as Ideastorm, communities and customer panels. Partnerships with a wide variety of key industry software, hardware and component suppliers give them a unique viewpoint on Dell future products and services.
- **Solve:** Many innovations commence in-house, led by a global team of top engineers, product designers and technical experts. Others begin as a team effort with Dell's strategic partners. The mission is to deliver innovative and cost-effective solutions that meet today's real-life customer challenges and work seamlessly in existing environments and with other products.
- **Impact:** Dell is uniquely positioned to impact industry trends. We maintain strong internal development capabilities. We associate, rather than compete, with top industry technology suppliers and original development manufacturers. We steer enabling industry standards and technologies through industry groups and strategic partners. In this way, Dell spurs innovation and delivers value to customers.

Source: *Scribd.com*

5.7 SUMMARY

- Customer satisfaction can be achieved by improving service quality. Ciavolino & Dahlgaard (2007) contend that service quality is the measure of service levels based on the attributes of the core product.
- The key facilities include location, process—queue management, waiting time, express checkouts, supermarket operation hours, delivery time, additional services like parking, parent & baby facilities, and loyalty/membership cards, Product—variety of groceries, durability, merchandise quality and merchandising.

- Insufficient parking at the shopping mall will have a lot of impact not only on customers, but also to the management. Insufficient parking will lead to customers using the disable parking. The customer will park anywhere even on the road and disabilities' customer park.
- Online shopping retailers usually offer several ways of payment, such as online payment concerning credit card usage; payment with cash; and telegraphic remittance.
- Customer satisfaction can be a measure of how happy customers are with the services and products of a supermarket. Keeping customers happy is of tremendous benefit to companies. Satisfied customers are more likely to stay loyal, consume more and are more likely to recommend their friends to the business.
- Satisfaction according to Hokanson (1995) is affected by many factors which include friendly employees, courteous employees, knowledgeable employees, and helpful employees, accuracy of billing, competitive pricing, service quality, good value and quick service.
- The Gap Model of Service Quality has been developed by Parasuraman and his colleagues which helps to identify the gaps between the perceived service qualities that customers receive and what they expect.
- Expectations are beliefs (likelihood or probability) that a product/service (containing certain attributes, features or characteristics) will produce certain outcomes (benefits-values) given certain anticipated levels of performance based on previous affective, cognitive, and behavioural experiences.

5.8 KEY TERMS

- **Satisfaction:** Satisfaction is an overall attitude towards a product provider or an emotional reaction to the difference between what customers expect and what they actually receive regarding the fulfillment of a need.
- **Reliability:** Reliability refers to how much trust can be afforded the supermarket staff and organisation for example through parameters like accurate billing.
- **Gap Model:** The Gap Model of Service Quality has been developed by Parasuraman and his colleagues which helps to identify the gaps between the perceived service qualities that customers receive and what they expect.

5.9 ANSWERS TO 'CHECK YOUR PROGRESS'

1. The term 'servicescape' is used to describe the physical environment of a service.

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2. Customer satisfaction can be defined as the overall evaluation of the service performances or utilisation.
3. Reliability refers to how much trust can be afforded to the supermarket staff and organisation for example through parameters like accurate billing.
4. Gap model
5. Management perceptions
6. Expectations
7. Fulfillment

5.10 QUESTIONS AND EXERCISES

Short Answer Questions

1. Define customer satisfaction.
2. What do you mean by multiple payment options in stores and malls?
3. What are the quick counter services?
4. What is the importance of customer satisfaction?
5. What is the meaning of gap under gap model?
6. What is kids-keeping facility in malls?
7. What do you mean by off-street parking?
8. Define the meaning of shopping centre.

Long Answer Questions

1. What are the characteristics and elements of effective retail parking?
2. What are the key services offered by retail stores and malls for customer satisfaction?
3. Discuss the key determinants and levels of customer satisfaction.
4. How to achieve strategic advantage through customer service and customer satisfaction (CS&CS)?
5. Discuss the gap model of improving customer service and customer satisfaction.
6. What are the customer expectations and fulfillment level?
7. What are the key strategies to manage the overall parking movement?
8. Write a detail note on parking facility in the retail stores.

UNIT 6 HR MANAGEMENT

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Structure

6.0 INTRODUCTION

Employment market in India is lacking for skilled manpower. The retailing industry is generating huge employment opportunities. The requirements of manpower are in the all functional areas. The industry is looking for human resources to see the customers at retail outlets and to motivate them indirectly for more buying. The requirements are also for proper category-wise display and layout products to attract customers. The research personnel are required to know, understand and assess for what customers are looking for in the outlets and out of the outlets. The industry also requires manpower for awakening customers regarding organised outlets. The industry is looking for human resources instead at manpower. The industry will certainly get human resources in near future. The issues relating to job specification, job classification, job design, recruitments, and selections, training and development is also becoming important.

6.1 UNIT OBJECTIVES

After going through this unit, you will be able to:

- Identify the job positions in retail
- State the job description, job requirements, responsibilities, career opportunities and tips for success.

6.2 TYPES OF JOB POSITIONS IN RETAIL STORES/MALLS

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Retail opportunities include entry-level jobs and part-time jobs such as sales associate or warehouse worker, and they also include better paying positions with more responsibility, such as store manager positions, regional manager, and even corporate positions within a retail company. Most retail opportunities start at the lowest levels, such as sales positions, though employees have the potential to move up quickly within a company, from relatively low-paying positions to salaried positions with benefits. The specific job responsibilities of an employee will vary according to the type of position as well as the type of retail establishment in which the employee works.

A sales associate position is one of many retail opportunities that allow a person with little or no experience to obtain a job in retail. A sales associate is responsible for selling goods to customers, which means he or she will interact directly with several people during a shift, and the associate must represent the company in the best way possible. This means being polite, knowledgeable, and friendly; the associate must be able to develop a relationship with customers and answer all the customer's questions accurately and clearly. Sales associates must very often operate a cash register as well.

Some retail opportunities allow a person to work outside of a store or specific location. Product representatives may travel to different retail establishments to meet with managers about stocking certain products. A product rep for a shoe company, for example, may travel throughout a specific region to speak with managers or owners of retail shoe establishments to discuss carrying the representative's line of shoes. The product representative can help the owner or manager place an order should he or she choose to carry the line, and the representative can take care of any warranty issues that may arise.

Management positions vary significantly. Some retail opportunities for managers may require that person to work directly in a store, or he or she may have to visit several stores within a region. A manager is responsible for hiring and firing employees, addressing specific issues at a certain store, writing schedules, ensuring paychecks get written and delivered quickly and accurately, and addressing any issues or problems that may arise in the store. A manager must adapt to different situations and ensure the store runs smoothly while improving sales performance and reducing customer complaints.

The following are the key job positions in retails stores/malls:

6.2.1 Retail Store Manager

The position of retail store manager is one that holds vast duties and great responsibilities. There are a wide variety of retail stores which employ retail store managers to maintain the overall quality and day-to-day operations of the

establishment. In order to learn more about the duties and responsibilities of a retail store manager, it is important to highlight what in fact these individuals do on a daily basis.

The retail store manager is an individual who oversees the daily operations of a retail establishment. That individual is responsible for overseeing the daily work of subordinate employees, ensuring that customers have a pleasant shopping experience and completing many other duties necessary to run the store in an effective and efficient manner.

6.2.2 Retail Sales Associates

The retail industry is comprised of a wide variety of companies and products, and a retail sales associate is on the front line of the business. This position is responsible for selling or renting the products and services of the company. Retail sales associates typically have many duties throughout the workday, including greeting customers, assisting customers with product or service selection, maintaining merchandise, utilising sales techniques and sometimes handling financial transactions.

Customer service is a major responsibility for a retail sales associate. A retail salesperson usually is in charge of the entire customer experience in the store. This begins with a friendly greeting and assessment of the customer's needs. If the potential client is looking for a particular product or service, the retail sales associate helps to identify the specific item and usually offers guidance and advice in product choice. The main agenda is letting the customer know that the retail clerk is there to support him.

Retail sales associates sometimes help stock and refill product displays as well. They are responsible for ensuring that sales displays are well stocked and clean, as well as placing new products on display. In certain areas, such as clothing stores, the retail sales associate usually folds and refolds items in display areas.

6.2.3 Merchandiser

Rather than working for one particular retail company, a retail sales merchandiser is employed by a manufacturer of products to interface with a number of different retail outlets that carry the manufacturer's merchandise. After a sales contract has been created, it is the responsibility of the retail sales merchandiser to provide service and maintain a good working relationship with retailers. The goal of retail sales merchandisers is to help both the retailer and the manufacturer maximize sales and increase sales volume. This goal is accomplished through execution, education, and promotion.

As a retail sales merchandiser, you will be ensuring that a proper level of stock is maintained, and that the merchandise is displayed appropriately with proper signage and favourable shelf placement. This includes set up, plan-o-gram execution, as well as the stocking, fronting, facing, and rotating of the manufacturer's products.

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Audits will be performed regularly, and it is the responsibility of the retail sales merchandiser to resolve issues that may arise as a result of these audits, and solve problems at the store level in order to maintain the standards established in the initial sales agreement.

6.2.4 Cashier

A place that sells goods is called a retail store and in any of these places there must be a means of taking in money and giving out change. Most of these stores have cash registers and other means of accepting payment. A person operating one of these registers is called a retail cashier.

Sometimes a person is hired at a retail establishment to only be a retail cashier. This would mean the job would consist of helping customers at point of sale, when they want to pay for their merchandise and exit the store. In this position, cashiers would need to know several things.

Basic knowledge a retail cashier must acquire includes knowing how to accept cash and give the appropriate change. Some cash registers list amount of change that needs to be given and others depend on the cashier to count out from the total received. Since there are varied means of payment, the retail cashier will also probably need to know protocol for accepting checks, how to run ATM/credit machines, and how to properly ring up each sale. This last could be a simple matter of using a device attached to the register that records price, or it may mean inputting price of device manually. Each cash register may be different too, and the cashier will need training on operating details of the specific register.

6.2.5 Brand Manager

A brand manager typically ensures the quality and successful promotion of a certain line of products. He or she analyses sales figures, sets prices, and oversees advertising campaigns. The manager explores different marketing strategies and directly contacts retailers to convince them to carry a brand. Brand managers work in almost every large corporation that manufactures commercial or consumer products, from packaged foods to home electronics to industrial machinery.

Excellent written and verbal communication skills typically are essential to be a successful brand manager. Professionals hold telephone and in-person conferences with retailers to promote their brands, negotiate prices and shipping quantities, and set up orders. They also meet with product developers, sales personnel, copywriters, and advertising directors to make sure that every aspect of production, distribution, and marketing is in sync.

New advertising campaigns usually are organised by the brand manager. He or she analyses the successes and shortcomings of previous campaigns to determine better ways to promote the products of the company. The manager reviews the work of copywriters and art directors to make sure that a new campaign will be attractive to customers.

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Case Study on HR Issues: Supervisory Support

Joseph a plant level worker has twenty years of experience, in Zeal Zink Ltd, a large-scale industrial establishment in Maharashtra. He is hard working, competent, punctual and reliable employee of Binani Zink Ltd. He is having good interaction and interrelation with his superiors, co-workers and other members in the organisation. The management has better impression and appreciation about his performance and commitment. The only disagreement the management has on him is his affiliation to one of the trade unions in the organisation. Management didn't have any impression towards the existence of trade unions within the organisation as they believed that trade unions are to mislead and exploit the workforce and are a big hurdle in the smooth progress of the organisation.

To make Joseph more work-oriented, management decided to promote him to supervisory level. The promotion decision is beyond his expectation. He found himself very happy with the situation and felt obliged to the management. Only hard working, competent and skilled employees are promoted to higher positions. The supervisory positions in the organisation have better compensation packages, power and authority in relation to the responsibilities. Joseph was highly motivated to work for the organisation and felt highly obliged towards the management. He acquired better acceptance and recognition in the supervisory position from his superiors and co-workers within short span. He performed his duties in accordance with the expectation of the management.

As per the official communication, Joseph met one of the senior level officials Mr. Kiran in his cabin. Kiran detailed new responsibilities and tentative targets to Joseph, inducing managements expectations on him. After some formal discussions, Kiran started informal discussions with Joseph enquiring about employee's welfare, satisfaction level and many other topics. He enquired about Josephs family members also. During the conversation Kiran also enquired about Joseph's trade union activities and his strong affiliation to them. He informed Joseph that management is unhappy about his trade union affiliation, as he performs a managerial role in the organisation. He demanded the gradual separation from the trade union and asked him to work for the management for a better career. Kiran asked him to think about it and take a decision without loosing time. Reserving his comment on Kiran's demand, Joseph returned to his plant.

Kiran's demand to quit the trade union membership was really disappointing to him. He has the feeling that to protect his rights and privileges; all along trade union has been with him. With the existence of trade union, employees feel safe and secure in their job. Many questions arose in his mind, that "shall I quit the trade union? Is it fair to quit the trade union as they supported me in many contingent situations? Will the management support me in my future? Do they follow their promises? Who am I, a Worker or a Manager?... as there is wide

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disparity between employees and employers? As many employees have similar experience in the past, is it safe to do so? Many conflicting thoughts made him more confused to take appropriate decision in this matter.

Though he had plenty of information about management approach towards employees in the organisation, he decided to take a decision in favour of management, considering future prospects. As an initial step he started getting aloof from many of the trade union meetings and activities in the organisation. The trade union has close observation about their party men. They observed the changes in the attitude and behaviour of Joseph. Trade union leadership demanded clarification from him. Joseph continues to get aloof from the trade union activities by showing some personal grounds and engaging himself more on work activities. He informed management that he started his gradual separation from the trade union. Management become quite happy about his decision and extended full support in his occupational career.

Having a peaceful mind, with a decision to be more involved in the work, as a managerial supervisor, he started his newly allotted task. His new task required more members and that had to be accomplished as a team. Supervisors from different departments also took part in the task performance. Though the members worked as a team there they had to follow the timely instructions of the senior managers. They did not have that much of freedom and autonomy to take decisions on production and to take initiatives to achive the target with better alternative measures. As per the guideline of the top management they have performed their duties and responsibilities. Joseph and other supervisory members worked hard to get the predetermined result, as expected by the management.

The annual production statistics were published. The department where Joseph has been working reported low level performance. The inspectors pointed out problems that related to quality level. The top management as usual flayed junior – middle level mangers and supervisors who were in charge of the department, for low level performance. While the middle and junior level managers, as usual, redirected those allegations to the supervisors and members in the department, showing their sheer negligence and lack of commitment on their part. The supervisory members especially Joseph who all along worked hard to get better output, disagreed with the allegation made by the superiors. He has the impression that, after all they simply followed the instructions of their superiors. The supervisory members decided to meet top management to inform them of the real facts. They drafted a memorandum and handed over the same to the top management officials, indicating the real situation that went on poor outlay.

After two days top management asked Joseph to meet Kiran, the Senior Manager in the organisation for further discussion of the problem with due consideration to the memorandum. Kiran informed the top management decision about the issue that they were totally dissatisfied with the performance of the supervisory members. During the meeting, Kiran informed Joseph that, as a step to curb the

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situation and maintain the quality of the production, top management decided to transfer few of the supervisory members to the other departments and took the decision to transfer a few members from this organisation to the sister concern. The transfer list contains Joseph's name also. Kiran informed Joseph that, his knowledge and competency are not sufficient to handle new responsibilities as it required more training and attention which he was required to get from the other organisation. Kiran also informed Joseph that management decided to withdraw extra incentives that extended to them as the nature of transfer was more of a training program which involved punishment.

Joseph was shocked to hear the management's decision in this matter. He got totally depressed about the management decision. He felt that here management had showed their vested interest, and partiality to protect middle and junior level managerial members. They tried to protect management members from negative consequences and corrective measures from the top. The management decision to transfer him and his fellow supervisory members to different departments in other sister concerns was a measure to marginalise and victimise them. He could not find any justification on the part of management. Joseph felt that instead of understanding the problem in an impartial way management tried to resolve the issue by developing new strategies that safeguard the management and victimises the members. He felt that the attitude of the management was to always behave as 'big bosses' and was never going to change. He felt that managers do not have any intention to support employees in their crisis.

Joseph became more aggressive and decided to continue his membership in the trade union and forwarded the complaint to the trade union indicating the victimisation.

Questions

1. Is the management's attitude towards the trade union justified?
2. Does the annual decline in the yearly production reflect Joseph's inefficiency as a manager?
3. "Business World indulges in Organisational Politics by showing carrots of Career Planning". Comment.
4. Does this case reflect on Joseph as a poor decision maker?
5. How the theory of equity and theory of expectancy are related to this case study?

Hints for the Case:

This case deals with the management attitudes towards the low and middle level trade unions .This is explained by taking the case of Joseph who has member ship in both trade unions and is also a plant level worker. Because of his hard work management decided to place him at the supervisory level.

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Once in an official conversation, Kiran, one of the senior level officer advised him to terminate the membership with the trade union and also offered more opportunities if he terminated the membership. Finally he decided to leave the trade union. But when the annual production summary was produced Joseph's team performance was very low, and because of this reason management cut all the incentives. Management also transferred him to their sister concern. Finally Joseph understood the management strategies and decided to continue with the trade union.

- Findings
- Management's strategies to eliminate trade unions
- Management attitudes towards low and middle level trade unions
- Joseph's wrong decision to continue with trade unions
- Inability to take correct decisions
- Strategies to avoid unskilled workers

Source: *http://www.mbaknol.com/management-case-studies/case-study-on-hr-issues-supervisory-support/*

6.3 RETAIL STORE MANAGER

Retail store managers perform many essential functions to ensure that businesses run smoothly. They train and oversee employees, acquire and price items, and ensure quality customer service. The requirements to become a retail store manager can vary based on the size of a company and its specific policies. Some store owners prefer to internally promote retail workers to managerial roles, while others bring in outside managers who have obtained college degrees. An individual who wants to become a store manager can search job listings in newspapers and online to find out about specific requirements.

A person who wants to become a retail store manager can improve his or her chances of finding work by developing important personal and technical skills. A successful manager generally is able to give clear directions to employees and help them identify ways they can improve their performance. He or she makes decisions about the layout of store merchandise, prices, promotions, and inventory to improve sales figures. Computer skills are very important to become a retail store manager since records about schedules, sales, and ordering information are filed electronically in most modern businesses.

Many small businesses and some large corporations will grant store manager positions to successful employees. Cashiers, inventory clerks, and other retail workers can become managers after gaining experience and showing strong leadership skills. An employee who wants to become a retail store manager should investigate his or

her store's policies regarding promotions and ask managers for tips on advancing within the company.

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Job Requirements

A bachelor's degree in business administration can be very helpful in landing jobs at larger corporations. Classes in accounting and management provide students with a solid foundation of business principles and techniques. By speaking with professors and guidance counselors at a school, an individual may be able to obtain helpful leads about job opportunities.

Available positions at retail stores can be found by browsing newspaper classified ads and Internet job search sites. Most ads clearly outline the education and experience requirements for the position, so an individual can determine whether or not they are qualified. Ads also explain how to apply for jobs, perhaps by filling out an application in person or submitting an electronic resume. A retail store manager resume should include relevant work experience in customer service and supervisory roles, as well as volunteer work and personal goals. A solid, honest resume can help to secure an interview.

During an interview to become a retail store manager, an individual can improve his or her chances of being selected by being respectful and friendly. The interviewee should be prepared to answer questions about previous experiences in other jobs and what he or she can offer to the company. By being confident and honest during the interview, an individual can better his/her chances of getting the job.

Duties and Responsibilities

There are many duties the individual is responsible for completing and each duty in itself is vital to the smooth operation of the store. The first main duty of a retail store manager is overseeing the hiring, firing and maintaining of personnel. These individuals are ones who make the store a success and it takes a strong manager to ensure that the perfect individuals are hired to fill sales associate positions, clerical positions and other important job titles. In addition to these tasks, the retail store manager must see to it that each individual is adequately trained to fill their job title and supervise the work that they do throughout their employment at the store.

Another important duty and/or responsibility of the retail store manager deals with the money that comes into the store and goes out as well. The retail store manager is responsible for handling the turning in of cash at the end of each sales associate's day and is required to ensure that all the money is accounted for in the end. In addition, a retail store manager is usually responsible for paying the employees and ensuring that the paychecks match the hours worked by each individual. Meticulous records are needed to be kept by the retail store manager to ensure that all money which has come into the store is accounted for and sales associates and other store employees are paid as they should be.

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Inventory is another responsibility of a retail store manager. Since there needs to be goods in stock to sell, it is imperative that the retail store manager check the inventory on a frequent basis and make sure that orders are in when they are supposed to be. In addition to checking retail store stock and ordering goods, the retail store manager also needs to be responsible for paying for the goods which are ordered as well as keeping track of how much is spent on procuring the goods.

One very important duty of the retail store manager relates to customer service responsibilities. From time to time, shoppers within the retail store will ask to speak with a manager whether it be to issue a complaint regarding their shopping experience or provide a compliment to an employee or the store itself. The retail store manager is the higher up individual in the retail ranks who provides an ear to customers who wish to express either their pleasure or displeasure regarding an aspect of the store. Therefore, the retail store manager must be extremely well versed in matters of customer service.

The retail store manager is also the pertinent individual at a retail store who confers with the higher up individuals on the corporate level. Since the retail store manager is on the premises on a daily basis, they are the best individuals to let the corporate office know how that particular store is doing. This relates not only to sales but to employer-employee relations as well. This individual is also the one who handles occupational safety and employee relations within the store and relates any issues back to the head office. Lastly, the retail store manager is the person at a particular retail store who may handle advertising and promotional displays. The retail store manager is one who must make their individual store shine when it comes to presenting various promotions in a favourable and enticing manner. Although they may not be responsible for drafting the advertising materials, they should be knowledgeable in how to display the information so that it has the maximum amount of potential possible.

Career Opportunities

The growing number of retail chains has hugely increased the demand for retail store managers. He is the one who manages the store, and can be called the backbone of a retail store. Smartness in working, and a sense of responsibility, are the two important qualities that a manager must possess. Employee management, which covers supervision of current employees and recruitment of new employees, management of the store, that is managing the products section and inventory, accounts section, etc., are some of the chief duties. So now, are you wondering how you can become the manager of a retail store? If yes, then reading this article is surely going to help you. Just make sure that you have it in you, what is required to become the manager of a retail store. Also note that, the job is only for hardworking folks, and the ones who are ready to take responsibility.

Available positions at retail stores can be found by browsing newspaper classified ads and Internet job search sites. Most ads clearly outline the education and experience requirements for the position, so an individual can determine whether or not they are qualified. Ads also explain how to apply for jobs, perhaps by filling out an application

in person or submitting an electronic resume. A retail store manager resume should include relevant work experience in customer service and supervisory roles, as well as volunteer work and personal goals. A solid, honest resume can help to secure an interview.

During an interview to become a retail store manager, an individual can improve his or her chances of being selected by being respectful and friendly. The interviewee should be prepared to answer questions about previous experiences in other jobs and what he or she can offer to the company. By being confident and honest during the interview, an individual can better his/her chances of getting the job.

Tips for a Successful Retail Store Manager

There are a few things which the perfect retail store manager will embody. One positive trait which makes a wonderful retail store manager is an individual who has exceptional conversational skills. Since a main component of a retail store manager's daily duties is to interact with customers and employees, it is very important that they know how to converse in such a manner which is courteous yet effective. Looking for individuals with this trait will help interviewers to find the best type of retail store manager.

Past experience is another important aspect which all retail store managers should have. Although past employment may not be the only contributing factor to obtaining the best possible candidate for the job, it still is a highly desirable one. Choosing a retail store manager who has some past managerial experience will equate with less training that is needed and perhaps a more established and useful manager overall.

Another trait to look for in a potential retail store manager is professionalism. A professional store manager not only will benefit the customers who enter the store on a daily basis but will be a good morale booster for other employees as well. A professional retail store manager does not have to be stuffy yet must know when it is the right time for serious behaviour and when he/she can take a lighter attitude with both the customers and employees.

A great retail store manager should also have excellent mathematical skills which may benefit the store the most. Since efficient math skills are an important thing for retail store managers to have since they will be working with money on a daily basis, it is good to have this particular quality.

6.4 RETAIL SALES ASSOCIATES

Retail sales associates are salespeople who work in specialty shops, department stores, and home improvement retailers, among other retail establishments. Some of the responsibilities of a retail sales associate include assisting customers by providing excellent customer service, generating sales, advising customers on items to purchase, answering questions, and having extensive knowledge of the products

they sell. To become a retail sales associate, you'll usually need to have some sales experience already.

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Many people who become retail sales associates start out as a cashier on a register or in the customer service department. This way, they get to learn the way the business works, as well as the best ways to deal with customers, before being expected to make sales. Those who excel in these departments may then be able to be promoted to a retail sales position.

Job Requirements

Retail sales associates typically have high school diplomas, but specific educational requirements beyond high school are generally not necessary. Someone with experience as a sales associate already will find it much easier to find new jobs; it will generally require just an application and a short interview process. It is especially important for someone who is trying to become a retail sales associate to appear confident and knowledgeable in an interview, as well as to dress professionally and arrive on time. An interviewer might even have applicants try to sell him or her something to assess their sales skills.

Duties and Responsibilities

Key duties/responsibilities of retail sales associate:

- Build customer confidence of customers by making the store experience interactive, engaging and reassuring.
- Maximise customer experience by "solving the whole problem" (as opposed to pushing products).
- Maintain the visual appeal of your store.
- Make the most effective use of store displays and interactive devices for each of your customers.
- Use your time well, even when not serving customers. Assisting Retail Store Manager in maximizing sales and profitability through focusing on key business initiatives, store presentation, marketing execution, inventory management, customer service, loss prevention, risk management, and daily operational cost control.
- Completing operational duties, including paperwork and sales reports as they relate to store opening and closing.
- Handling customer inquiries as it relates to product offerings, pricing, billing etc.
- Meeting established sales objectives by selling products and services
- Handling customer escalations.
- Adhering to policies and procedures as they relate to retail store employees.
- Ability to work a flexible schedule, including evenings, weekends, and holidays.

Check Your Progress

1. What are the key responsibilities of a retail store manager?
2. What are the key job requirements of a retail store manager?
3. Who are the retail sales associates?

- Ability to stand in an enclosed area 100% of your shift while assisting customers.

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Career Opportunities

Retail industry has a lot of opportunities and, consequently, a lot of positions. There are highly customer service-oriented positions such as sales associates, cashiers, and customer service associates. There are not so obvious to the customer positions such as freight processors, price check associates, merchandisers and loss prevention associates. Besides, there are managers. All positions are important for the proper and smooth functioning of the retail operation.

Tips for Success

In order to get that job and be successful and happy doing it you need:

- ***Ability and desire to help people:*** It helps if you like to help people and you are comfortable talking to anybody since you will need to engage your customers in conversation. Remember that you will have all kind of customers and some of them will not be very nice to you. The ability not to take it personally and to make the customer feel better by helping him or her is paramount.
- ***Ability to listen and hear:*** To be able to sell you need to determine what your customer needs. In order to do so you need to listen attentively to your customer and the answers you will be getting. Knowing what your customer is looking for will further help you in offering some additional items.
- ***Ability to stay calm under pressure:*** As sales associate you may be exposed to a lot of pressure and stress, be it an unhappy customer or performance quota to meet. You need to be able to keep your composure at all times and under any conditions and stay calm and productive under pressure.
- ***Ability to multi-task:*** Very often you will need to do several things at once. It is very important to be able to switch from one task to another and then get right where you stopped and continue. It is also important to always finish your tasks without compromising your customer service duties.
- ***Ability to be reliable and dependable:*** It is very important that you are always on time and ready for your shift. Managers want to hire associates they can trust to be at work when scheduled and ready to perform their job.

6.5 MERCHANDISER

Sales merchandisers have one of the most important jobs in a company that sells retail products. They need characteristics like self-confidence, creative flair, computer literacy, strong communication skills, teamwork skills, decision-making skills and the ability to work under pressure, according to prospects. Most employers want employees to have a college degree, but it's possible to work as a sales merchandiser

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without a degree. People that want to work in retail may want to pursue a career as a sales merchandiser.

Typical work activities of a sales merchandiser include liaising with buyers, maintaining a library of product data in spreadsheet software, working with visual display staff, forecasting profits, planning budgets, controlling stock levels, gathering customer feedback, analysing a previous season's sales, meeting with suppliers and training junior staff, according to prospect.

Job Requirements

Sales merchandisers play an important role in companies because they directly affect profits, according to prospects. The success of a company can rely largely on how well a sales merchandiser does his work. Degrees in accountancy, finance, business management, economics, computer studies, marketing, and mathematics and retail management can all increase your chances of getting a sales merchandiser's job. Entry as a junior-level sales merchandiser is possible without a degree if an individual has relevant work experience. Postgraduate work is not needed to become a sales merchandiser.

Duties and Responsibilities

Sales merchandisers are responsible for ensuring that products appear in the right stores at the correct times and in appropriate quantities, according to prospects. This requires working with buying teams to accurately forecast product trends, plan stock levels and monitor performance. Sales merchandisers determine how much money should be spent on inventory. Sales merchandisers also set the prices of products to maximise profit. Planning promotions and sales are other responsibilities of the job. Overseeing delivery of inventory is another responsibility.

Career Opportunities

A career as a retail merchandiser involves placing products in stores so that customers are encouraged to buy them. This includes estimating how much of a particular product should be bought and displayed and understanding how customers make buying decisions. Specialised training through a two-year or four-year college program generally is required to become a retail merchandiser. These programs typically include courses in marketing, advertising and other areas that are essential to become a retail merchandiser.

To become a retail merchandiser, you must understand marketing theories and how they relate to retail stores. Some history of retail and marketing theories likely will be required. Marketing includes knowing how to price items so they make a profit but still are appealing to cost-conscious customers.

Understanding customers is a key requirement of retail merchandising. For example, upscale retail stores deal with different clientele than discount stores do. In other words, a successful retail merchandiser understands the target market of a store and its customers' preferences.

An artistic flair and the ability to present eye-catching displays are two additional skills that will help you in your quest to become a retail merchandiser. Product colours and store lighting are often used to make displays interesting and appealing to customers. Artistic ability comes in handy while you are drawing sketches of proposed merchandise displays. This helps you to get a sense of what a display might look like before you start positioning it.

Tips for Success

The key personal attributes of good retail merchandisers include:

- good business sense and an understanding of what customers want
- excellent organisational and planning skills
- good analytical and mathematical skills
- decision-making ability
- good communication and negotiation skills
- creative flair
- the ability to work well in a team
- the ability to work under pressure
- good computer skills, especially in using spreadsheets.

6.6 CASHIER

A cashier handles monetary transactions. In retail stores, the sales cashier rings up sales of goods or services; collects the customer's cash, check, credit card or debit card; and gives back change. The retail cashier could additionally be responsible for removing cash drawers from registers at set periods. They may have to get more change or take the cash drawer to a manager to be counted. Registers may require closing and opening procedures too, which cashiers will need to know so they can safely leave their station and not leave money exposed.

One thing some cashiers know how to do is to take returns. In certain stores, only employees of a specific level are authorised to do this, which can cut down on a few forms of employee theft. Other stores allow all cashiers to handle a return, as long as instructions are followed. Where this isn't allowed, either a supervisor must perform the return, usually with a special key in procedure, or observe the return while it is in process.

Many people who have a retail cashier position also work on the floor. This is especially true in places like clothing stores. The person will only go to the cashier when making a sale or if the store becomes suddenly busy. When all employees must perform this task, management needs to train them, and given a larger number of cashiers, more concern about employee theft may arise. Key in procedures are frequently used for returns to reduce certain types of employee access.

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Job Requirements

If you want to become a retail cashier, the most important thing is to prove to hiring managers that you can handle cash responsibly. Cashiers handle money from customers constantly; if any cash goes missing, the manager often has a difficult time proving it was anyone on his or her staff who took it. Retailers want honest cashiers who have references for their cash handling skills. Other important quality to have if you want to become a retail cashier is a customer-oriented sales attitude and the ability to stand for long periods of time.

Cashiers stand for most of their workday; if you aren't able to do this, you probably won't be able to become a retail cashier. Even if you are able to stay on your feet for hours at a time, comfortable shoes are a must. Many cashiers add cushioned insoles or inserts inside their shoes to increase the padding and comfort for their feet.

Though there are no specific educational, or special, requirements to become a cashier, employers expect a minimal high school education and also a good knowledge of basic mathematics. Almost all the employers train their cashiers on the job, and the cashier learns his duties with the experiences at work. Some of the basic responsibilities of a cashier are, announcing the total bill to the customer, collecting money from the customer and paying back the balance to the customer. The cashier job duties differ from one employer to another, for example, a cashier employed at a restaurant may have additional duties like taking orders on the phone.

Customer service skills are extremely important when cashiering. Customers expect a pleasant attitude and it may sometimes be difficult for a cashier to smile and greet each customer during a busy day on the job. Customer-oriented cashiers always try to see things from the customer's point of view and respond with good service as well as politeness.

Many retail companies have expectations for their cashiers. If you want to become a retail cashier, you may have to repeat questions to all customers that involve asking them if they'd like help with their car or if they'd be interested in a special offer the store is running. Cashiers must also be able to process customer purchases fairly quickly using cash registers and/or product code scanners. Making proper change is essential.

If you don't have previous experience at a cashiering job, look for other opportunities to prove your honesty around money if you want to become a retail cashier. For example, if you belong to a club, becoming the treasurer who is responsible for handling the organisation's cash may be a good idea. You can list the president or person you report to as a reference on your resume.

You could volunteer to help out at school hot dog days and cupcake sales by helping to count the cash made from the sales. It's a good idea to do this volunteer job regularly so the parents and school staff in charge can get to know you and trust your work. Another possibility for gaining cashiering skills to help you become a cashier is to volunteer in a charity secondhand or thrift store. While you may have to begin with

other tasks such as sorting clothing and displaying the merchandise, it may be possible to work your way up to a volunteer cashier position after a few months.

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Duties and Responsibilities

Besides the obvious duties of handling cash, the following may also fall under a cashier's job description. The place where the cashier is employed will play a great role in determining what duties are expected of him/her.

- Cashiers have to keep a record of how much money they had when they opened the store, how much money is earned when they closed the store, and the amount of change in a register drawer for the purpose of finding out when they are required to restock the change.
- The duties of a cashier do not invariably mean working with a cash register, few of these personnel also provide their services in very simple sales and marketing environment such as in farmers' markets or amusement parks, wherein they collect money and give the change.
- In situations where more complex registers are utilized, the duties of a cashier may consist of cash and check collection, and handling necessary tasks related to credit cards and other means of defrayal. The cashier has to have a thorough understanding of each of these processes.
- Giving change to customers and consumers is one of the most important duties of a cashier. Cashiers, after taking cash, need to calculate it to ensure if its total is correct, and then should decide on how much change needs to be given in return. There are a few cash registers which show the cashier the particular amount to give back as change, but others do not have this facility. In the latter case, the cashier needs to be very good in quick and precise math calculation.
- Those personnel who handle registers and routinely hand out the wrong change may be dismissed or may be suspected of stealing cash. For this reason, accuracy is absolutely necessary for the job of a cashier.
- While dealing with cash and finances may be one of the major cashier responsibilities, there are several others which depend on the location of work. A majority of cashiers who provide services in visible areas may get complaints or questions regarding the business, so they are necessarily required to know how to handle such situations and what company protocol is recommended.
- In several retail shops, cashier responsibilities may even comprise bagging the materials bought by customers, and rendering gift-wrap facilities as well. Few retail stores may have cashier responsibilities which constitute of not only staffing the cash register, but also taking care of other miscellaneous factors of a sales establishment, such as stocking or cleaning products, and to close out a shop at night and balance all receipts against sales. In some cases, cashiers might also be handed over the responsibility of depositing the money collected in the bank after closing the stores.

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- At supermarkets and some stores, a cashier is also required to know the product codes, as most billing is done with the help of computers and product codes. A cashier needs to be efficient as well, else the risk of long check-out lines and disgruntled customers can quickly arise.
- Cashiers who work in an hospital or hotel environment also have to make sure that items or charges incurred by the patients or guests are properly entered against their room accounts. They also have to know the details of these entries so they can explain the bill when the patient is discharged or the guest is checking out.
- In several cases, cashier responsibilities include being one of the significant point of contact with consumers as they leave the store after shopping. With possessing the qualities of being efficient, cashiers are most importantly required to behave in a friendly way and have good manners while communicating with customers. They also carry out the responsibility of maintaining a neat and organised checkout area.
- At some point, their job description will also include training new or assistant cashiers or overseeing new cashiers to ensure that things are moving smoothly.

Career Opportunities

While the dual function of salesperson/cashier can be a more entertaining job, it can also be slightly to the disadvantage of the employee. If people have sales quotas to meet and routinely get stuck behind a register, they may fail to meet their quotas, and might be considered disappointing employees by a company. Should this scenario regularly occur, logging cashier hours is a good way to show the company how often a person could not act in a sales capacity, though people presenting this information should do so in a respectful way.

Tips for Success

The following are some tips for becoming a good cashier:

- It is necessary that you maintain a friendly and cheerful attitude towards the customer. So, however bad your day may have been, you should always greet the customer with a smile.
- If the customer raises some queries, then make sure you answer the queries efficiently. If the customer has some complaint with the staff management, then convey the message to the senior authorities.
- To become a good cashier you should have good manual dexterity and accuracy while making the total bill at the counter.
- If you are working as a cashier in a restaurant and have to take order on the phones, then make sure you take the order properly and repeat it in audible manner to the customer.

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- If you are employed at a movie hall, then announce the available seats to the customer and also make some suggestions, if needed.
- While packing the goods at the counter, make sure you handle them carefully.
- Sometimes you may come across unfriendly customers. At such times you must handle such customers tactfully, without causing nuisance to other customers.
- Once you have scanned all the goods purchased by the customer, make the total, announce the bill in an audible tone, collect the money from the customer, then place the amount in the cash drawer and then pay back the balance. After this, make sure that the customer agrees with the change provided by you and greet him with a smile.
- You should be neatly dressed for work and should have a neat appearance. If the employer has no dress code, then try to dress in a conservative manner.

6.7 BRAND MANAGER

As the name suggests, the brand manager has to work with a particular brand or several brands. It is a highly challenging job because he has to take the entire responsibility for the success of that product(s), and is therefore, responsible for all related aspects which include planning, buying, selling, marketing, pricing, dispatching and ordering. That is a bird's-eye view of what a brand manager does.

The post of a brand manager, as we have seen, requires a person to be multifaceted and work at several levels in a company. His duties are varied and challenging. He is the person who sees the product being created and is there through all the relevant levels (formulation, advertising, pricing, promotion, launching) of the product's journey. He is, therefore, one of the most important people to have around when a new product is being created or even when an old product needs to be re-launched. If a particular product is not selling well, the brand manager will consider many different options to help raise sales figures. He or she might ask for consumer input to determine why people are unsatisfied with the product. The manager communicates with research and development personnel to suggest quality improvements or changes. If competing products are selling better than the manager's brand, he or she can implement new advertising strategies or make the decision to lower prices.

Job Requirements

Most brand managers hold college degrees in business administration or marketing. Some professionals are able to obtain jobs with bachelor's degrees, though master's degrees are required for employment by most large corporations. An individual may be able to advance to the rank of brand manager after gaining experience and excelling in sales and advertising positions within a company. Most professionals begin their

brand management careers as assistants to experienced managers so they can become familiar with the duties and responsibilities of the job. A successful brand manager may eventually have the opportunity to advance to a top executive position.

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Duties and Responsibilities

The following are the duties performed by the brand manager:

- To begin with, they need to work extensively with the research and development department of the company, and with their help, formulate the best possible way to market the product.
- They need to supply the engineers (who are working on developing the product) with the results of the market research and on the basis of which the product will be based.
- They also check if the engineers are following the decided path and suggest changes for improvement.
- They need to be fully aware of the product at hand. What is the product capable of doing and what will be some of the improvements that might take place in the future.
- Once the product is ready, he must gather a core group for testing. The results from these tests will help him to determine whether the product has been able to achieve the desired result or not.
- After the product has passed this test, he will have to think of the marketing strategies for the same. What will be the audience, the target group at which the product will be directed etc.
- The packaging of the product—the best way in which the audience will be able to connect to the product and how the packaging will be able to convey what the product is all about.
- The pricing of the product is also an important factor that will need the drawing up of several strategies. The brand manager will work with several other departments to determine this aspect.
- Then he will undertake the extensive planning of the techniques and methods by which the product will be launched in the market.
- The methods of promotion that will be used will also need to be determined by him.
- All this will be dependent upon the budget that has been allocated. He has to also make sure that all these techniques employed like the promotions, marketing, advertising costs, all of them fall under the allotted budget and no more.
- After the product has been launched, he has to monitor the sales.
- Depending on the sales, he needs to change strategies or techniques in marketing, advertising or promotions to lead to maximum success.
- He has to plan for the future about the course of the product—what will be the future strategies etc. so that continued success is guaranteed.

- Bringing about changes in the product from time to time so that it includes whatever the audience wants and is thereby accepted more openly by the audience.

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Career Opportunities

Brand manager jobs include assistants or managers who work in positions ranging from entry-level jobs all the way up to the executive level. Some people in this career field also serve as marketing analysts and sales representatives. There are even opportunities for student brand managers who promote products on college campuses.

People who are creative, enjoy teamwork and have strong analytical and problem-solving skills usually excel in brand marketing jobs. Often, an undergraduate degree in business, marketing or liberal arts is required. A master's degree might be required for higher-level brand manager jobs. Some companies also require overall knowledge of their business operations, especially for higher-level positions.

A student brand manager is one kind of entry-level job. Students in these positions typically use a college campus to get out the word about a certain product. This includes making other students aware of the product and selling the product. Various promotional events also might be organised. For example, the product might be promoted at a sporting event.

Entry-level candidates often start out as brand manager assistants. An assistant brand manager is often responsible for coordinating various aspects of product marketing. This includes designing, promoting and advertising a product.

Assistants can also work as marketing analysts. People in these positions are often responsible for analysing the data that is used to make marketing decisions. A marketing analyst might also carry out general office duties such as bookkeeping, running errands and ordering office supplies.

Tips for Success

Excellent written and vercal communication skills typically are essential to be a successful brand manager. Professionals hold telephone and in-person conferences with retailers to promote their brands, negotiate prices and shipping quantities, and set up orders. They also meet with product developers, sales personnel, copywriters, and advertising directors to make sure that every aspect of production, distribution, and marketing is in sync.

New advertising campaigns usually are organised by the brand manager. He or she analyses the successes and shortcomings of previous campaigns to determine better ways to promote the products of the company. The manager reviews the work of copywriters and art directors to make sure that a new campaign will be attractive to customers.

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Case Study of Nestle: Training and Development

Introduction

Nestlé is today the world's leading food company, with a 135-year history and operations in virtually every country in the world. Nestlé's principal assets are not office buildings, factories, or even brands. Rather, it is the fact that they are a global organisation comprised of many nationalities, religions, and ethnic backgrounds all working together in one single unifying corporate culture.

Culture at Nestlé and Human Resources Policy

Nestlé culture unifies people on all continents. The most important parts of Nestlé's business strategy and culture are the development of human capacity in each country where they operate. Learning is an integral part of Nestlé's culture. This is firmly stated in The Nestlé Human Resources Policy, a totally new policy that encompasses the guidelines that constitute a sound basis for efficient and effective human resource management. People development is the driving force of the policy, which includes clear principles on non-discrimination, the right of collective bargaining as well as the strict prohibition of any form of harassment. The policy deals with recruitment, remuneration and training and development and emphasizes individual responsibility, strong leadership and a commitment to life-long learning as required characteristics for Nestlé managers.

Training Programs at Nestlé

The willingness to learn is therefore an essential condition to be employed by Nestlé. First and foremost, training is done on-the-job. Guiding and coaching is part of the responsibility of each manager and is crucial to make each one progress in his/her position. Formal training programs are generally purpose-oriented and designed to improve relevant skills and competencies. Therefore, they are proposed in the framework of individual development programs and not as a reward.

Check your Progress

Fill in the Blanks

4. .... have one of the most important jobs in a company that sells retail products.
5. A ... ... handles monetary transactions.
6. .... jobs include assistants or managers who work in positions ranging from entry-level jobs all the way up to the executive level.

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Literacy Training

Most of Nestlé's people development programs assume a good basic education on the part of employees. However, in a number of countries, we have decided to offer employees the opportunity to upgrade their essential literacy skills. A number of Nestlé companies have therefore set up special programs for those who, for one reason or another, missed a large part of their elementary schooling.

These programs are especially important as they introduce increasingly sophisticated production techniques into each country where they operate. As the level of technology in Nestlé factories has steadily risen, the need for training has increased at all levels. Much of this is on-the-job training to develop the specific skills to operate more advanced equipment. But it's not only new technical abilities that are required. It's sometimes new working practices. For example, more flexibility and more independence among work teams are sometimes needed if equipment is to operate at maximum efficiency. "Sometimes we have debates in class and we are afraid to stand up. But our facilitators tell us to stand up because one day we might be in the parliament!" (Maria Modiba, Production line worker, Babelegi factory, Nestlé South Africa).

Nestlé Apprenticeship Program

Apprenticeship programs have been an essential part of Nestlé training where the young trainees spent three days a week at work and two at school. Positive results were observed but some of these soon ran into a problem. At the end of training, many students were hired away by other companies which provided no training of their own. "My two elder brothers worked here before me. Like them, for me the Nestlé Apprenticeship Program in Nigeria will not be the end of my training but it will provide me with the right base for further advancement. We should have more apprentices here as we are trained so well!" (John Edobor Eghoghon, Apprentice Mechanic, Agbara Factory, Nestlé Nigeria) "It's not only a matter of learning bakery; we also learn about microbiology, finance, budgeting, costs, sales, how to treat the customer, and so on. That is the reason I think that this is really something that is going to give meaning to my life. It will be very useful for everything." (Jair Andrés Santa, Apprentice Baker, La Rosa Factory Dosquebradas, Nestlé Columbia).

Local Training

Two-thirds of all Nestlé employees work in factories, most of which organise continuous training to meet their specific needs. In addition, a number of Nestlé operating companies run their own residential training centres. The result is that local training is the largest component of Nestlé's people development activities worldwide and a substantial majority of the company's 240000 employees receive training every year. Ensuring appropriate and continuous training is an official part of every manager's responsibilities and, in many cases; the manager is personally

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involved in the teaching. For this reason, part of the training structure in every company is focused on developing managers' own coaching skills. Additional courses are held outside the factory when required, generally in connection with the operation of new technology.

The variety of programs is very extensive. They start with continuation training for ex-apprentices who have the potential to become supervisors or section leaders, and continue through several levels of technical, electrical and maintenance engineering as well as IT management. The degree to which factories develop "home-grown" specialists varies considerably, reflecting the availability of trained people on the job market in each country. On-the-job training is also a key element of career development in commercial and administrative positions. Here too, most courses are delivered in-house by Nestlé trainers but, as the level rises, collaboration with external institutes increases. "As part of the Young Managers' Training Program I was sent to a different part of the country and began by selling small portions of our Maggi bouillon cubes to the street stalls, the 'sari sari' stores, in my country. Even though most of my main key accounts are now supermarkets, this early exposure were an invaluable learning experience and will help me all my life." (Diane Jennifer Zabala, Key Account Specialist, Sales, Nestle Philippines). "Through its education and training program, Nestlé manifests its belief that people are the most important asset. In my case, I was fortunate to participate in Nestlé's Young Managers Program at the start of my Nestlé career, in 1967. This foundation has sustained me all these years up to my present position of CEO of one of the top 12 Nestlé companies in the world." (Juan Santos, CEO, Nestlé Philippines)

Virtually every national Nestlé company organises management-training courses for new employees with High school or university qualifications. But their approaches vary considerably. In Japan, for example, they consist of a series of short courses typically lasting three days each. Subjects include human assessment skills, leadership and strategy as well as courses for new supervisors and new key staff. In Mexico, Nestlé set up a national training centre in 1965. In addition to those following regular training programs, some 100 people follow programs for young managers there every year. These are based on a series of modules that allows tailored courses to be offered to each participant. Nestlé Pakistan runs 12-month programs for management trainees in sales and marketing, finance and human resources, as well as in milk collection and agricultural services. These involve periods of fieldwork, not only to develop a broad range of skills but also to introduce new employees to company organisation and systems. The scope of local training is expanding. The growing familiarity with information technology has enabled "distance learning" to become a valuable resource, and many Nestlé companies have appointed corporate training assistants in this area. It has the great advantage of allowing students to select courses that meet their individual needs and do the work at their own pace, at convenient times. In Singapore, to quote just one example, staff is given financial help to take evening courses in

job-related subjects. Fees and expenses are reimbursed for successfully following courses leading to a trade certificate, a high school diploma, university entrance qualifications, and a bachelor's degree.

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International Training

Nestlé's success in growing local companies in each country has been highly influenced by the functioning of its international Training Centre, located near our company's corporate headquarters in Switzerland. For over 30 years, the Rive-Reine International Training Centre has brought together managers from around the world to learn from senior Nestlé managers and from each other. Country managers decide who attends which course, although there is central screening for qualifications, and classes are carefully composed to include people with a range of geographic and functional backgrounds. Typically a class contains 15–20 nationalities. The Centre delivers some 70 courses, attended by about 1700 managers each year from over 80 countries. All course leaders are Nestlé managers with many years of experience in a range of countries. Only 25% of the teaching is done by outside professionals, as the primary faculty is the Nestlé senior management. The programs can be broadly divided into two groups:

Management courses: these account for about 66% of all courses at Rive-Reine. The participants have typically been with the company for four to five years. The intention is to develop a real appreciation of Nestlé values and business approaches. These courses focus on internal activities.

Executive courses: these classes often contain people who have attended a management course five to ten years earlier. The focus is on developing the ability to represent Nestlé externally and to work with outsiders. It emphasises industry analysis, often asking: "What would you do if you were a competitor?"

Conclusion

Nestlé's overarching principle is that each employee should have the opportunity to develop to the maximum of his or her potential. Nestlé do this because they believe it pays off in the long run in their business results, and that sustainable long-term relationships with highly competent people and with the communities where they operate enhance their ability to make consistent profits. It is important to give people the opportunities for life-long learning as at Nestle all employees are called upon to upgrade their skills in a fast-changing world. By offering opportunities to develop, they not only enrich themselves as a company, they also make themselves individually more autonomous, confident, and, in turn, more employable and open to new positions within the company. Enhancing this virtuous circle is the ultimate goal of their training efforts at many different levels through the thousands of training programs they run each year.

Source: *http://www.mbaknol.com/management-case-studies/case-study-of-nestle-training-and-development/*

6.8 SUMMARY

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- Retail opportunities include entry-level jobs and part-time jobs such as sales associate or warehouse worker, and they also include better paying positions with more responsibility, such as store manager positions, regional manager, and even corporate positions within a retail company.
- The retail store manager is an individual who oversees the daily operations of a retail establishment. That individual is responsible for overseeing the daily work of subordinate employees, ensuring that customers have a pleasant shopping experience and completing many other duties necessary to run the store in an effective and efficient manner.
- Retail sales associates typically have many duties throughout the workday, including greeting customers, assisting customers with product or service selection, maintaining merchandise, utilising sales techniques and sometimes handling financial transactions.
- A retail sales merchandiser is employed by a manufacturer of products to interface with a number of different retail outlets that carry the manufacturer's merchandise. After a sales contract has been created, it is the responsibility of the retail sales merchandiser to provide service and maintain a good working relationship with retailers.
- A cashier handles monetary transactions. In retail stores, the sales cashier rings up sales of goods or services; collects the customer's cash, check, credit card or debit card; and gives back change. The retail cashier could additionally be responsible for removing cash drawers from registers at set periods.
- A brand manager typically ensures the quality and successful promotion of a certain line of products. He or she analyses sales figures, sets prices, and oversees advertising campaigns. The manager explores different marketing strategies and directly contacts retailers to convince them to carry a brand.

6.9 KEY TERMS

- **Retail store managers:** Retail store managers perform many essential functions to ensure that businesses run smoothly. They train and oversee employees, acquire and price items, and ensure quality customer service.
- **Retail sales associates:** Retail sales associates are salespeople who work in specialty shops, department stores, and home improvement retailers, among other retail establishments.
- **Sales merchandisers:** Sales merchandisers have one of the most important jobs in a company that sells retail products. They need characteristics like self-confidence, creative flair, computer literacy, strong communication skills, teamwork skills, decision-making skills and the ability to work under pressure, according to prospects.

6.10 ANSWERS TO 'CHECK YOUR PROGRESS'

NOTES

1. The retail store manager is an individual who oversees the daily operations of a retail establishment. That individual is responsible for overseeing the daily work of subordinate employees, ensuring that customers have a pleasant shopping experience and completing many other duties necessary to run the store in an effective and efficient manner.
2. A bachelor's degree in business administration can be very helpful in landing jobs at larger corporations. Classes in accounting and management provide students with a solid foundation of business principles and techniques. By speaking with professors and guidance counselors at a school, an individual may be able to obtain helpful leads about job opportunities.
3. Retail sales associates are salespeople who work in specialty shops, department stores, and home improvement retailers, among other retail establishments.
4. Sales merchandisers
5. Cashier
6. Brand manager

6.11 QUESTIONS AND EXERCISES

Short Answer Questions

1. What are the key job requirements of a retail store manager?
2. What are the key duties and responsibilities of a retail sales associate?
3. Give a brief job description of a merchandiser.
4. What are the key tips to become a good cashier?
5. What are the career opportunities for a brand manager?
6. What are the key responsibilities of a cashier?
7. What are the key tips to become a good merchandiser?
8. Who are the retail sales associates?

Long Answer Questions

1. What are the key job positions in a retail store/mall?
2. Discuss the key job requirements and duties and responsibilities of retail store manager.
3. What are the key duties and responsibilities of retail sales associates?
4. Who is a merchandiser? What are the key job requirements and responsibilities of a merchandiser?

NOTES

5. What are the key duties and responsibilities of a cashier?
6. Discuss the career opportunities and job description of a brand manager. Give some tips to become a successful brand manager.
7. Discuss the career opportunities of retail sales manager in India.
8. What are the key job requirements and responsibilities of brand manager?

MODEL QUESTION PAPER

DISTANCE EDUCATION

MBA Degree Examination

Fourth Semester

Store and Mall Management

NOTES

Time: Three hours *Maximum: 100 Marks*

PART A **(5 × 8 = 40 Marks)**

Answer any FIVE Questions

1. What are the key requirements and factors affecting the retail store design?
2. What are the key techniques of inventory management to ensure economy?
3. What are the different factors affecting the pricing decision?
4. Discuss the concept of tenant mix. What are the key issues and rules of tenant mix?
5. To remain competitive in a dynamic and increasingly multifaceted global setting, you need to create an environment in which your customers are at the center of every decision. Discuss the statement.
6. What are the key services offered by retail stores and malls for customer satisfaction?
7. Discuss the gap model of improving customer service and customer satisfaction.
8. Discuss the key job requirements, duties and responsibilities of retail store manager.

PART B **(4 × 15 = 60 Marks)**

Answer any FOUR questions

9. What are the different types of store fixtures? Explain with the help of suitable examples.
10. Discuss the significance of keeping track of Fast, Slow and No (FSN) moving items.
11. Define mall maintenance. Discuss the nature and scope of mall maintenance management.
12. Discuss the preparation of business plans considering mark-up and mark-down.
13. How to achieve strategic advantage through customer service and customer satisfaction (CS&CS)?
14. Discuss the key determinants and levels of customer satisfaction.
15. Discuss the career opportunities and job description of brand manager. Give some tips to become a successful brand manager.

MBA (RETAIL MANAGEMENT)
PAPER - 4.2

STORE AND MALL MANAGEMENT

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(A State University Established by the Government of Tamilnadu-
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